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FOREIGN AGRICULTURE

AUGUST 1979

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"New Direction . . . Different Approach" for U.S. Market Development

The United States foreign market development program faces a world with vastly differing food and agricultural needs than those that prevailed during the past two decades. Accordingly, future activities will need to stress new markets and new products, a stronger emphasis on servicing foreign tenders, and the phasing-out of activities that have substantially achieved their objectives.

Whereas 20 years ago U.S. agricultural exporters found the greatest demand to be in Europe and Japan, now they see it coming increasingly from the Middle East countries, the centrally planned economies, and numerous developing nations that are approaching the take-off stage in economic development. Where past programs were formulated at a time of burdensome agricultural surpluses, future ones will reflect keen competition for markets that are developing around the world, and add to the shopping list new products that are demanded during such times.

In the future, the mature markets of Europe will continue to be important, but their increased demand for food will follow population growth, which is slow. In the emerging markets, demand for food will expand at a faster rate owing to higher population growth and expanding discretionary incomes. Without neglecting traditional U.S. markets, the market development program must focus its resources on the emerging markets.

The Soviet Union and China, with almost one-third of the world's people, have strongly moved into world markets. Eastern Europe is moving more and more into international agricultural markets, and government plans indicate that this trend will continue. The Middle East and North Africa region, which has a combined population of 270 million, also has great prospects since many of these countries now have ambitious agricultural development plans that call for increased usage of basic farm products, particularly feedstuffs. Indonesia and Nigeria, both oil- and population-rich, will receive strong attention in the market development program. In short, we are taking a new direction and a different approach.

Concerning the financial support of these programs, the Foreign Agricultural Service historically has had a policy of encouraging U.S. cooperators to make cash contributions, based on the belief that maximum and enduring benefits can be guaranteed if cooperators accept the responsibility for providing part of the resources needed to carry out the program. Experience has shown that when U.S. cooperators assume a part of the risk with resource contributions, the organization gives greater attention to supervising programs. This position is taken by FAS to assure maximum effectiveness from the expenditure of Federal funds for export promotion.

Although U.S. cooperator cash contributions have more than tripled over the past 10 years, there are ever-increasing demands for larger cooperator contributions. However, there are more important reasons for cooperators to provide additional funding to the program.

In the next few years, we do not anticipate any big increases for market development in annual appropriations from Congress. At the same time inflation overseas will result in a decrease in the purchasing power of funds available for program activities. New cooperator organizations will be asking FAS for Federal assistance in conducting their export promotion activities.

In addition, the limited funds available for market development will have to satisfy the need for program emphasis in new markets such as Eastern Europe and the oil-rich Middle East. With inflation reducing our budget, with new cooperators, and with new markets putting additional pressure on our budget, cooperators are going to have to assume a larger share of the financial responsibility for operating the program in order to maintain activities at current levels.

Excerpted from FAS policy statements.

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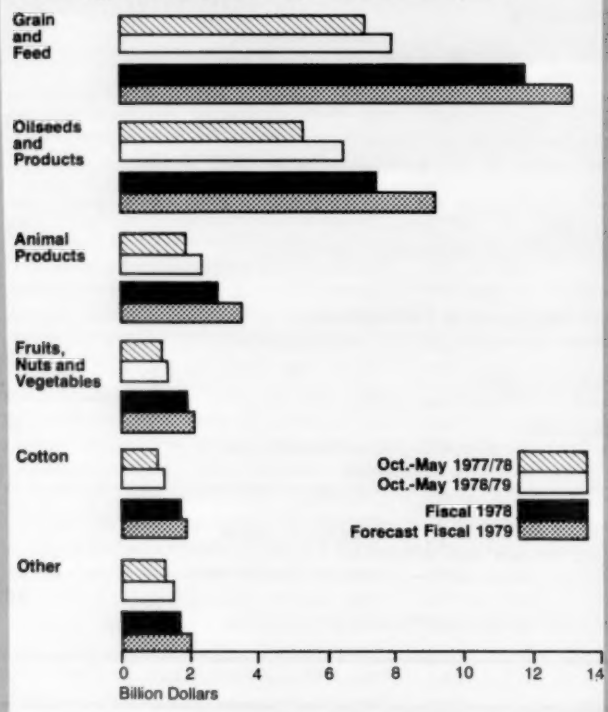
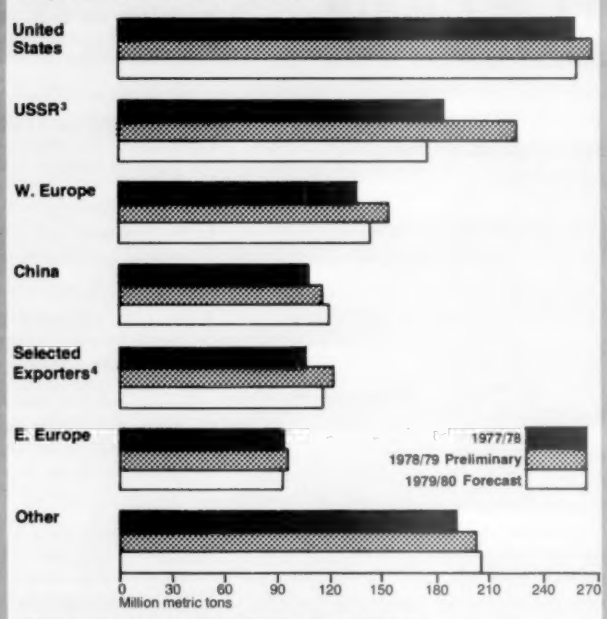
Value of U.S. Agricultural Exports Oct.-May, 1977/78, 1978/79; — Fiscal 1978, 1979



World Wheat and Coarse Grain Production July/June, 1977/78—1979/80[1,2]



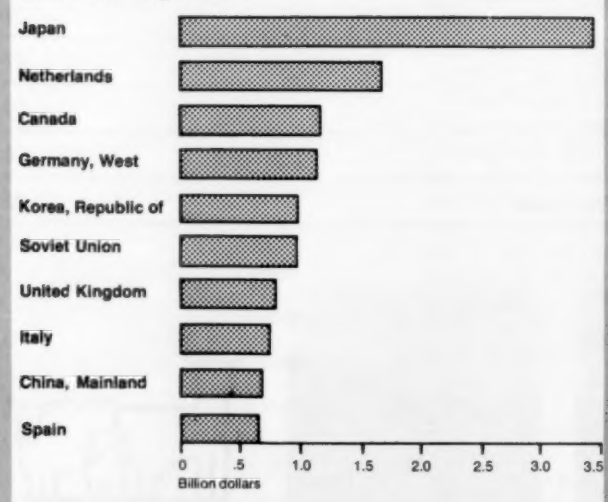
[1] Wheat, rye, corn, barley, oats, sorghum, millet and mixed grains.

[2] Includes all harvests occurring within the July-June year indicated, except that small grain crops from early harvesting northern hemisphere areas are moved foreward.

[3] "Bunker weight" basis, not discounted for excess moisture and foreign materials.

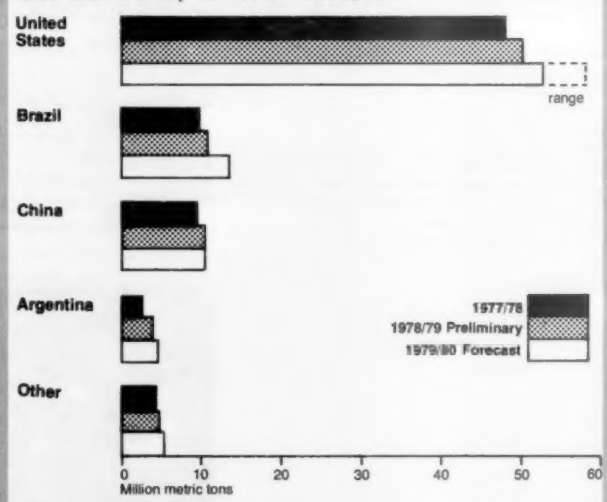
[4] Argentina, Australia, Canada, Brazil*, South Africa*, and Thailand. (*Excludes wheat.)

Major Markets for U.S. Agricultural Exports, Oct. 1978-May 1979[1]



[1] Not adjusted for transshipments

World Soybean Production, Specified Countries and the World, 1977/78—1979/80[1]



[1] Year beginning September 1

COMMODITY UPDATE

IN RECENT WEEKS, WORLD GRAINS HAVE CONTINUED TO MOVE in the direction of tighter supplies and increased import demand. World grain production, excluding rice, is currently estimated at 1.1 billion tons, or 6 percent below last year's record harvest, while import demand is expected to rise about 11 percent, to 178 million tons.

In particular, the Northern Hemisphere countries of the USSR, Eastern Europe, Canada, and France are likely to experience shortfalls. A late, rainy spring followed by extended hot, dry weather has reduced estimates of the Soviet grain crop to 185 million tons, 18 percent below the 1978/79 record crop. A similar weather pattern prevailed over most of Eastern Europe, lowering grain production estimates to about 93 million tons, 4 percent below the 1978/79 level. Imports for both the USSR and East European countries are expected to increase substantially. In Canada, total grain production is estimated at 37 million tons compared with 41 million a year ago. The French grain crop is also expected to fall significantly below year-ago levels.

With both Canada and Australia experiencing logistical constraints in grain export movement, and with Argentina already having sold all exportable surplus of old-crop wheat, the United States is expected to increase its share of the world grain market from 55 percent in 1978/79 to 59 percent in 1979/80.

Ordinarily the world's third largest corn exporter, South Africa is expected to export less than 2 million tons of corn this year, 40 percent below last year's level, because of drought-reduced supplies.

A RECENT WORLD SOYBEAN CROP OF 80.1 MILLION METRIC TONS dominates the 1978/79 world oilseed production scene. World soybean area at 48.7 million hectares increased 8 percent in 1978/79. Combined production of major oilseeds and copra reached a record 158.9 million metric tons during 1978/79, up 5 percent from the year-ago level.

The oilseeds and copra harvest, plus fish meal, represents 83.9 million tons of 44 percent protein-meal equivalent. The oil equivalent of the current crop—combined with tree-crop oils and related animal- and marine-oil production—totals 54.8 million tons.

U.S. exports of soybeans and products during the current marketing year have been above year-earlier levels. September-May bean exports were up 11 percent; October-May meal exports were up 1 percent; and October-May oil exports up 5 percent. As Southern Hemisphere new-crop supplies of soybeans and products have become increasingly available, U.S. exports are expected to slow during the remainder of the year.

World prices for oilseeds and products have been generally above those of a year ago. The outlook for 1979/80 is for continued expansion of oilseed production as major producing countries continue to increase sown area.

WORLD COTTON PRODUCTION IN 1979/80 is projected at 62.7-64.9 million bales, well above the 59.7 million bales harvested in 1978/79. Improved yields are expected in the United States, the USSR, China, and Pakistan. Larger planted area is estimated for the United States, the USSR, India, and Colombia.

Big concern over the possibility of recession in the United States, Western Europe, and Japan is reducing demand for textile products for 1979/80. Several large Asian cotton users are reporting greater difficulties in selling textile exports for delivery in late 1979. World cotton consumption in 1978/79 has shown strong growth, increasing by 2.7 million bales. However, U.S. consumption is below the 6.5 million consumed in 1977/78, partially because of heavy textile imports.

World cotton trade in 1978/79 is placed at more than 20 million bales, compared with 19.3 million in 1977/78. Larger imports by China are estimated at 2.3 million bales, 700,000 bales above 1977/78's.

U.S. exports for 1978/79 are estimated at 6.3 million bales, up from 5.5 million the previous season. Japan and Korea are vying for the top market position. The People's Republic of China (Mainland) is emerging as the No. 3 market. Other major markets include Hong Kong, Taiwan, and Canada.

The U.S. spot market price in early July averaged 62 U.S. cents per pound for SLM 1-1/6, compared with 56 cents a year ago. The northern Europe Indes "A" was running about 76 cents per pound, more than 6 cents higher than a year earlier.

With world production for 1979/80 forecast at 62.7-64.9 million bales and consumption not expected to exceed 63 million bales, stocks may be rebuilt by about 1 million bales, nearly all in the United States. U.S. 1979/80 exports are estimated at 5-7 million bales.

TOTAL MEAT PRODUCTION IN THE MAJOR IMPORTING COUNTRIES AND REGIONS (Japan, the United States, the European Community, and Canada) is expected to increase by 2 percent in 1979 compared with last year's level. The mix of meats is significantly different from last year's, as there is less beef but more pork and poultry.

With reduction of the cattle herds in many countries since the mid-seventies, beef production in the major importing and exporting countries in 1979 is forecast down by 7 and 6 percent, respectively. While world beef trade is likely to be down this year, beef imports by the major importers are expected to increase by 7 percent, offsetting a small part of the decline in beef production.

The higher beef prices in these major importing countries will likely enable them to bid product away from less attractively priced markets such as the USSR, Eastern Europe, and the Far East, excluding Japan.

The higher beef prices in the major importers will be tempered somewhat by an expected 7 percent increase in pork and poultry production, caused by favorable animal/feed-price ratios the last couple of years. Recent increases in grain prices and lower animal prices may slow expansion in pork and poultry numbers during the next year in many major producing countries.

WORLD TOBACCO CONSUMPTION ROSE AN ESTIMATED 4 PERCENT to a record 4.96 million tons during 1978 as cigarette output increased by an estimated 100 billion pieces to a record 4.2 trillion pieces. Despite an unusually strong surge in tobacco use—the largest increase since 1965—carryover stocks are estimated to have increased by 33,000 tons. World trade approached record levels as exporting countries shipped an estimated 1.41 million tons of leaf tobacco, 9 percent above the 1977 level and near the latest record set in 1974. World leaf output reached 5.03 million tons, on a dry-weight basis, slightly above the previous high of 1976.

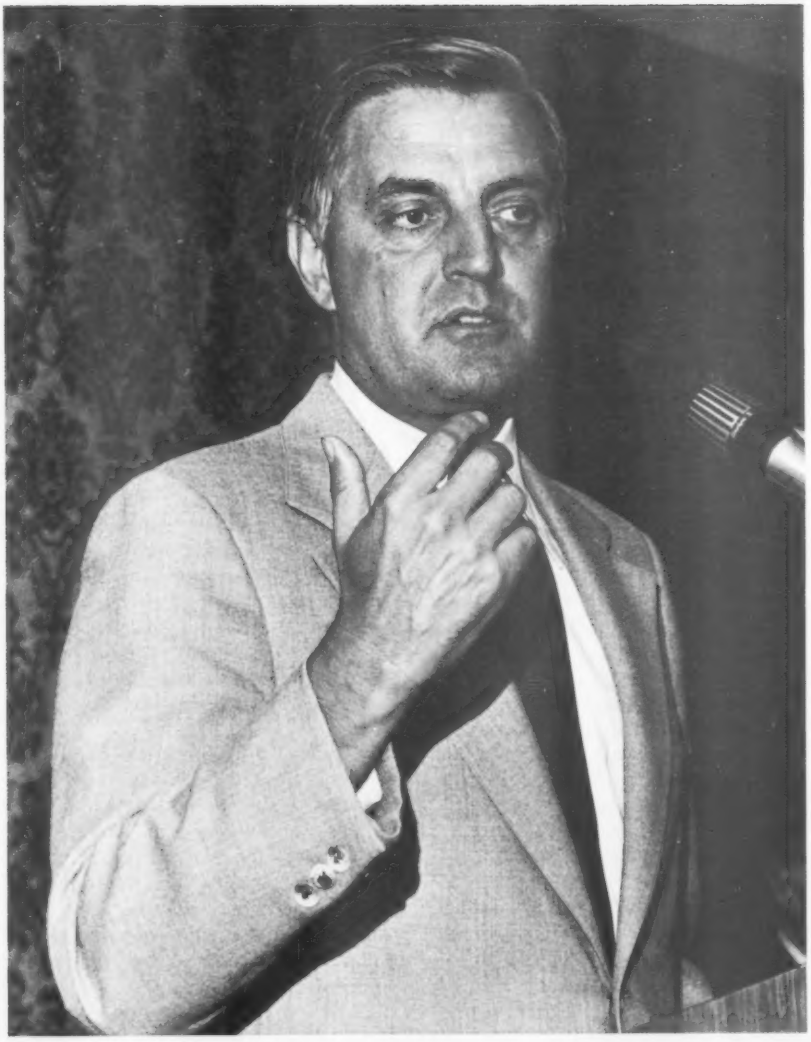
The 1979 U.S. tobacco area was estimated on June 28 by the USDA Crop Reporting Board to be 8 percent below the area planted in 1978. ESCS's (Economics, Statistics, and Cooperatives Service) June *Tobacco Situation* projected 1979 marketing of flue-cured—the principal U.S. export-type leaf—to be more than one-tenth below the 1978 sales figure. ESCS projects burley-type leaf marketings in 1979 to be about 1 percent less than in 1978.

WORLD CITRUS PRODUCTION WILL CONTINUE TO OUTPACE COMMERCIAL DEMAND through 1985, according to a recent FAO study, which projects that the rate of expansion will slow more sharply than that for production. Based on the assumption of constant (1975) prices, 1985 world citrus production and demand will be 63.7 million tons and 58.9 million tons, respectively. These projections imply annual rates of only 2.8 percent for demand and 3.0 percent for production.

The 1985 orange crop is expected to reach 42.1 million tons while demand is placed at 39.2 million. The larger increases will occur in Brazil, Cuba, the United States, Italy, Morocco, and Egypt. The mandarin crop is forecast at 10.3 million tons and demand at 9.2 million with large gains occurring in Japan, Spain, and Morocco.

Lemon and lime production will total 5.7 million tons, while the combined demand for these fruits will be 5.4 million. Most of the increase in lemons will be in Spain and Greece and the major gains in limes will occur in Cuba and Mexico. The grapefruit crop is projected at 5.6 million tons and demand at 5.1 million with the largest gains being in the United States and Cuba.

Vice President Mondale Lauds American Agriculture on FAS 25th Anniversary



I am pleased to join with you in one of the most important efforts this country can make. Where would this nation be if it were not for the work of farmers and farm organizations, farm administrators, and those who represent farmers in the sale of agricultural products abroad? The American people, I think, realize that the chief earner, net earner, in world trade for this country, the strongest source of support of our dollar, the strongest source of support for our standard of living, comes from the incredible ability represented by those of you in this room to market those products commercially around the world.

It is one of the true wonders of the world, and on behalf of the President and American people I want to thank you for strengthening this nation at a time when it so much needs it.

I do not think the role that you play, both in government and in the private sector, is wholly understood. I think there is a great deal of understanding, but the contribution you make to this nation's strength is truly incredible. The producers, cooperatives, and private firms which you represent and the agricultural attachés at U.S. diplomatic posts the world over are contributing enormously to that form of lifeline linking the American

Excerpts from a speech by Vice President Mondale before the U.S. Agricultural Cooperator Council on June 28.

farmer to people around the world.

You help our nation export not only its agriculture but also its best values—the values of competition, of enterprise, of partnership, of farsighted planning, and peace. And for this we are profoundly grateful.

It was not that way a quarter of a century ago. You could virtually count the people at American embassies who knew anything about food and farms on the fingers of one hand. And in retrospect, that is so ironic because surely one of the oldest lessons of history, from Biblical times to today, is that the only fundamental way to bind nations together and establish peaceful communications is through trade, and especially trade in that essential commodity that sustains life.

As I travel around the world representing our nation, I am repeatedly reminded of this essential, powerful source of support, help, and influence for our nation which is brought to us by the strength of American agriculture.

Twenty-five years ago this summer, my beloved colleague, Hubert Humphrey, had special reason to be happy, although he did not need a special reason. That summer the Agricultural Trade Development and Assistance Act became law. Hubert, working with Jamie Whitten, Harold Cooley, many at USDA, many of you in this room, knew that American agriculture could be and must be a major force in world affairs. But to do that there had to be a dramatic change in concept and in law.

At that time we had no concerted effort to build markets, especially overseas. We had an agriculture market without stability and without structure. It was at times chaotic and even contrary to fundamental good sense. When we had a bad year, we would tighten up. Sheep and calves and anything that they could eat would sometimes be killed. And when we had surpluses, the bottom would simply drop out of the market. A nation that had done so much, somehow, despite the potential of agriculture, had failed to harness effectively the tremendous strength that it could bring. But so much of that has now changed.

Bob Bergland tells me that when he went to China, amazed leaders told him over and over again how extraordinary they found our ability to plan for both surplus and scarcity. Today we have grain reserves to contend with annual change in farm output. And I think already the farmer-held reserve system, which the Secretary of Agriculture, with Tom's (Representative Thomas S. Foley) help, implemented a few years ago, is showing its strength in common sense in American agriculture. Today we have those grain reserves. That mechanism is the envy of the world. And we have more than a mechanism. We have a deep and enduring respect for farm values. We honor work and thrift and self-help, competition and independence.

A quarter of a century ago, agricultural exports amounted to $3 billion. Today they are more than 10 times that amount. In fact, we estimate that this fiscal year will show the greatest agricultural export total ever achieved—at least $32 billion. That represents a leap in 1 single year of nearly $5 billion in shipments of grain, soybeans, livestock products, and cotton, crops for which American farmers must have overseas markets in order to prosper. And that $5 billion comes on top of two alltime record-setting years for agricultural exports. It is an impressive success, and you deserve the lion's share of the credit.

"The producers, cooperatives, and private firms which you represent and the agricultural attachés at U.S. diplomatic posts the world over are contributing enormously to that lifeline linking the American farmer to people around the world."

There is a breakthrough this year in export volume as well. Since 1970 we have succeeded in doubling export tonnage. In this record-breaking year, some 130 million tons of U.S. commodities are going to foreign customers. And that tonnage only hints at the real story. These exports move through thousands of hands, travel over millions of miles of roads, rails, waterways. They pass through more than 35 ports. They are shipped to 90 countries. And all the way the jobs and income they generate are incalculable.

What that means is that our farm trade has become the very bedrock of our American economy. A network of farms across this land operating at near capacity is the best safety net there can be against ruinous food inflation. By strengthening farm income, agricultural exports support the overall American economy. Just consider the effects of cutting off the world export market. Without it, farmers would have to find use for a staggering 110 million acres, one cropland acre in three.

More important agricultural exports lend crucial strength to our international economic position. Right now this nation faces an energy crisis that is real and urgent. It is a jarring and a staggering experience for all of us. But we are Americans, and we can face up to reality, and we can face up to the truth of it. And one of the things that gives us time to work it out has been the enormous power and strength that agricultural exports have brought to this nation and the anti-inflationary contribution that American agriculture has been bringing to ever-escalating inflationary picture in our country.

Certainly the essential contribution of agricultural exports is to offset these deficits. That is a crucial part of our strength. This year alone, agriculture will provide a net $16 billion favorable contribution to our balances. There has not been a deficit in agricultural trade for a generation. And if it were not for American agriculture, this country would be in a profound economic crisis—the likes that we have not seen perhaps since the Great Depression. But we do not have that crisis because you have continually pressed to expand overseas business and keep export channels open.

As we look to the future of farm exports, I believe we can expect an era as dramatic and promising as the one the 25th anniversary of which we celebrate today. For 25 years that Agricultural Act has been the foundation of our policy. And now, working together with you, we have succeeded in creating a new set of tools that will

permit us to do an even better job. And I would like to mention just a few.

The first is the Multilateral Trade Negotiations. Agriculture was not supposed to be at the forefront of the Tokyo Round, but it was placed on the top of the agenda, and look at the results. We have been able to reduce and even eliminate non-tariff barriers like licensing and unjustified standards. Certain quantitative restrictions were eliminated. We have widened markets for American beef and citrus in Japan, for our apples and pears in New Zealand, for our poultry in Europe.

There are now new international rules to discipline other countries' unfair trading practices, like export subsidies. All told, we have received concessions totaling nearly $4 billion, which we estimate will add half a billion dollars to our annual agricultural exports.

Recently, we sent the MTN to the Congress for ratification, and we are asking for your support. It is always possible to sit down and dream up a better agreement, one in which you got more and they got less. The fact of it is that these negotiations were long and difficult; the best people we have in America, with your advice and counsel, have been working out these negotiations. And the best hope that we have for a freer international trade situation from which we all benefit—and a stable, growing international economy that will follow from that freer system—is to be found in the ratification and the approval of the MTN. (Since the Vice President's speech, the MTN has been overwhelmingly approved by both houses of Congress and signed by the President.)

Secondly, the Agricultural Trade Act of 1978. I believe that future historians of American agriculture will see that as a landmark, and I am happy to say we have already begun to implement it.

We are setting up new agricultural trade offices around the globe—in Korea, Bahrain, Hamburg, Singapore, Warsaw—and one in Miami to serve Central America and the Caribbean. We are also planning for offices in North Africa, South America, Moscow, and Peking. Every one of these posts will be staffed by personnel from the Department and competent marketing personnel, and whenever possible they will include cooperator representation.

At the same time, we have strengthened the Commodity Credit Corporation program. Today that program is operating at more than seven times the level of 1975. In 1977 and again in 1978 we more than doubled short-term export credits. We are launching, as you know, a new intermediate credit program for 3- to 10-year commercial financing. These figures do not begin to tell the full story, because every dollar of credit extended generates far more in commercial sales and returns.

This program is not a give-away. It is a credit program based on commercial sales or hard currency. They are good loans. They do not default. We get paid back. If you want American business, American farmers, and exporters to participate, we need these short-term, commercial types of loan programs in adequate amounts to be able to meet our competition.

". . . Our farm trade has become the very bedrock of our American economy. A network of farms across this land operating at near capacity is the best safety net there can be against ruinous food inflation."

This program may be the best example there is of good government. It is efficient, economical, strengthens our economy, and gains us not only new markets but also new friends.

American agriculture is the best face of American foreign policy. We have to remain strong, we all know, militarily. We have to remain strong in so many different ways. But it is the strength of our economy and the reality of this incredible agricultural system which not only provides enormous opportunities for commercial sales, but is an enormous source of humanitarian help as well, that is our best face.

It demonstrates not only our economic strength but our commitment to helping those in need. There are literally millions of people alive in this world today because America has lent a helping hand—providing nearly $30 billion in food aid to needy nations in the last quarter century. Our food programs have done more than help the hungry. They have extended this country's agricultural markets. They have been used by receiving nations to develop their own economies.

In the seventies, the total value of American exports in agriculture to developing countries has expanded fivefold; commercial sales, tenfold. Of the $10 billion of this year's farm exports to developing countries, 90 percent are on commercial terms.

At the start of this decade, the Communist nations of the world provided practically no market at all for American agriculture. Today the Soviet Union, Eastern Europe, and China account for nearly one dollar in seven returned to American farmers for the products they export.

I want to say a special word about China. When the President moved to normalize relations with the People's Republic of China, no one had to explain the importance of that move to American farmers. We estimate that China will purchase $1 billion of American farm products this year. And with agricultural development one of that country's key goals, American know-how will be crucial as we translate diplomatic ties into strong economic links.

Later this summer I will be traveling to China as President Carter's personal representative. Any nation with a billion people is important to us. As I explore with their leaders ways to strengthen our bonds, I am grateful that the groundwork for so much of this has been laid by American agriculture and by Bob Bergland.

And so, as always, progress begins with the land. Hubert Humphrey put it best when he said: "In the long run, our food power—far more than our military power—can be the critical factor in the achievement both of democratic institutions and of safety in the world. Food power is our secret weapon. Food is life. Food is strength. Food is hope and compassion. Food is the giver of health and vigor to children. Food is the vital ingredient of social stability and peaceful change. Let us use that power wisely and well." □

Eastern Europe:

Will Its Agricultural Import Boom Last?

By Thomas A. Vankai

Judging from results in most years since 1970, Eastern Europe would seem to have a bright future as a market for U.S. farm products. Between 1970 and 1978, U.S. agricultural exports to the seven countries of the region[1] rose sixfold to almost $1.2 billion in response to booming demand for grain and oilseed products. And recent weather problems in parts of Eastern Europe point to reduced crop and continuing large imports during 1979.

There are, however, some persuasive reasons for caution about future trade expansion. Consider that:

- A slowdown already has occurred in U.S. exports since their 1976 high of $1.45 billion. This trade dropped to $900 million in 1977, followed by a partial recovery to $1.2 billion in 1978
- Agricultural plans in Eastern Europe call for increased levels of self-sufficiency in grains and oilseed products. These two categories make up about 80 percent of the region's total agricultural imports from the United States.
- Growth in livestock production appears unlikely to maintain the rapid pace of the early 1970's, when diet improvement became a leading priority for most countries of Eastern Europe.
- Past efforts to hold down food prices—with a resulting demand-enhancing effect—may prove difficult to maintain in light of budgetary constraints and balance-of-payments problems. Such monetary considerations have been weighing heavily on all nations of Eastern Europe recently, prompting a general lowering of sights regarding import plans.

The planned rates of production growth are unlikely to be achieved this year. But under favorable weather conditions, the region's annual net imports of grain could show some decline in coming years.

Imports of soybeans and soybean meal should hold up better as a result of continuing protein deficiencies and the still-considerable room for improvement in feeding efficiency.

Purchases of soybeans and products also will hinge on the size of the region's oilseed crops. For example, a larger sunflowerseed crop in Romania would tend to increase Romanian production of oil and meal. As a result, its soybean import requirements would decline, and its sunflowerseed oil exports to neighboring countries increase.

Imports of vegetable oil—once an important U.S. export to the region—are unlikely to expand. In the southern countries, increasing crushing capacity has induced a shift from oilmeal to oilseed imports, thus providing additional raw material for domestic vegetable oil production.

This premise is less valid in the northern countries where rapeseed is the dominant oilseed. These nations—the GDR, Poland, and Czechoslovakia—are expected to continue their trade pattern of selling rapeseed and rapeseed oil and purchasing linseed, sunflowerseed, or other vegetable oils.

The overriding question, of course, is whether production goals in the region can be achieved. So far, performance has consistently fallen short of expectations, and there is good reason to believe this will be the case again.

Economic plans for 1976-80 call for gross agricultural production to increase at average annual rates ranging from a modest 2.6 percent in Czechoslovakia to 5.5 percent in Romania. Through 1978, however, only Hungary had achieved its plan goals, which were relatively modest and assisted by the country's profit orientation, its high use of Western technology, and favorable weather.

During the 1971-75 period, agricultural performance was above planned levels in Czechoslovakia and Hungary, while below target in the five other countries. Actual rate of growth ranged from 1.7 percent annually in the GDR to 4.6 percent in Romania.

Distortions also began to appear in agricultural expansion as output of grains and oilseeds lagged increasing-

[1] Including Bulgaria, Czechoslovakia, the German Democratic Republic (GDR), Hungary, Poland, Romania, and Yugoslavia.

The author is an agricultural economist, International Economics Division; Economics, Statistics, and Cooperatives Service.

Eastern Europe: Selected Import Data, 1971-77

[In 1,000 Metric Tons]

Year	Grain			Oilseed meal		Soybeans		
	Total	U.S.	USSR	Total	U.S.	Brazil	Total	U.S.
1971	10,548	2,185	5,844	2,049	469	40	204	160
1972	10,764	2,276	3,526	2,700	482	456	186	121
1973	9,182	3,438	2,987	3,053	1,080	452	177	181
1974	11,394	2,850	3,985	3,565	1,114	519	314	197
1975	10,517	4,679	2,321	3,585	1,077	915	170	141
1976	16,570	7,500	512	4,003	1,459	1,345	344	278
1977	12,591	4,074	997	3,901	1,183	1,230	271	249

Sources: Statistical publications of several countries.

ly behind the stepped-up pace of livestock production. This upsurge in meat production was the farmers' response to Government economic incentives backed by large food imports

The Polish food riots of 1970, for instance, had triggered drastic policy changes aimed at placating consumers. Subsequently, hog numbers in the region rose by 31 percent between January 1971 and 1975, with half of that increase occurring in Poland—a grain-deficit country. Feed economies were also strained in the GDR and Romania as hog populations in each country rose by 2 million.

In Poland, low retail prices caused demand for meat to advance faster than output. To satisfy this demand—and also maintain traditional exports of pork products—Poland had to make massive imports of grain and oilseed meals for livestock feeding. In 1977, it even turned to the import market for 100,000 tons of meat, but demand still was not met.

About the same time, the USSR's meat production had begun to accelerate, while growth in its grain production lagged behind demand—resulting in a sharp curtailment of Soviet grain exports to Eastern Europe.

These changes together prompted a shift to the West for increased imports of grain and oilseed products, providing opportunities for growth in U.S. agricultural exports.

In contrast, economic and political changes so far in 1976-80 have been less conducive to import growth.

East European consumption of meat generally is below that of Western Europe, which means that there is room for growth in livestock output. However, hard currency shortages could restrain expansion.

"The overriding question is whether production goals in the region can be achieved. So far performance has consistently fallen short of expectations, and there is good reason to believe this will be the case again."

Poland—with persistent shortages of both feedstuffs and meats—will need to continue large imports of grains and oilseed meal. There administered fixed prices on basic foods have suppressed the inflationary effect of sharp gains in world prices for raw materials. But this adherence to retail price stability, with simultaneous fast increases in disposable income, is causing economic disequalibrium, shortages, and resource misallocation.

Consequently, even Poland is taking measures to pass on price gains and suppress demand. In 1977, for instance, the Government established a two-tiered price system. Under that system, regular shops continue to provide limited quantities of meat at fixed prices, while so-called commercial shops sell choice cuts and processed meat for much higher prices.

Recently, 8-10 percent of the meat has been sold in these commercial shops in large cities. The spread of such outlets is being promoted, although long lines still are evident at the regular shops.

In the GDR, the other chronic grain-deficit country in Eastern Europe, meat consumption already is at a high level, and no further growth of livestock inventory is contemplated. Accordingly, GDR grain production has a good opportunity to catch up with domestic demand.

The other East European countries have even greater chances of achieving self-sufficiency in grain. And rising meat consumption in Romania—Yugoslavia, and Hungary—will tend to be checked by price increases instituted in the past few years.

So far no price-income policies have been spelled out for the upcoming 5-year plan. Should meat prices be increased and growth in per capita income slow, demand for meat as well as feed may slacken.

Such changes would obviously tend to depress imports of feedgrains and oilseed meal. However, the extent of any slowdown also would depend on foreign demand for East European meat exports. Such exports totaled 873,000 tons in 1977 and came primarily from Hungary, Romania, and Poland.

Agricultural trade also will be influenced by the countries' ability to pay for needed imports. Between 1971 and 1977, Eastern Europe as a whole accumulated a trade deficit of close to $43 billion. Agricultural trade's contribution to the deficit amounted to about $2.8 billion in 1976, compared with $1 billion in 1970.

The hard currency debt, in turn, reached nearly $35 billion by the end of 1978. This use of credit helped to maintain economic growth and soften the consumer's inevitable adjustment to changed values arising from faster increases in raw material prices relative to finished product prices. And apparently the high ratio of debt to exports—15 percent in 1977—so far has not worried lending institutions, especially since the East European Governments have a good record of repayment.

The hard currency debt in 1976,

compared with gross national product, was highest (36-37 percent) in Poland and Hungary, and lowest (3 percent) in Romania.

U.S. agricultural sales to Eastern Europe have benefited from the unusual conditions of the past few years and, in particular, from the Polish crop shortfalls and reductions in USSR grains exports. The United States also has managed to maintain soybean meal exports to the region, despite Brazil's rising presence in the market.

In the future, as in the past, grains and oilmeals will comprise the bulk of U.S. exports to Eastern Europe, although the commodity mix has broadened somewhat and will probably continue to do so. How much of the market the United States is able to supply, of course, will depend on the availability of products from other sources and on U.S. competitiveness in quality, prices, and credits.

In years of ample world supplies of grains and oilseeds, the importing countries have a large choice of suppliers—among them Brazil, Argentina, Canada, and nearby countries of Western Europe. But importers are aware that it is prudent to establish a stable import pattern with the United States, the dominant and most reliable producer of grains and oilseeds, so as to maintain priority access to U.S. products in years of tight world supply. Aware of this eventuality, the GDR and Poland have reached understandings with the United States for minimun annual grain imports.

Trade with most of Eastern Europe continues, of course, to be affected by Title IV of the 1974 Trade Act (the Jackson-Vanik Amendment). Title IV established conditions on U.S. trade and credits to countries prohibiting free emigration. Only normal trade relations with Poland and Yugoslavia were affected.

Accomodations were worked out in 1975 with Romania and in 1978 with Hungary, whereby Presidential waivers allowed most-favored-nation (MFN) treatment, as well as Government credit or credit-guaranteed programs. These waivers must be reevaluated annually. Bulgaria, Czechoslovakia, and the GDR remain ineligible for MFN and Government credit programs.

The Agricultural Trade Expansion Act of 1978 introduced several new features to further U.S. exports. This new Trade Act authorizes intermediate-term CCC credits (3-10 years) to purchase U.S. breeding animals, build wheat reserves, and construct certain types of facilities for marketing and handling agricultural commodities. However, since the Title IV restrictions of the 1974 Trade Act were left intact, Bulgaria, Czechoslovakia, and the GDR remain excluded from these programs.

It is unlikely that even the eligible

Eastern Europe:
A Billion-Dollar U.S. Market

By Judith G. Goldich

Exports to Eastern Europe last year rebounded some 31 percent from their weak performance of 1977 to reach $1.17 billion (including transshipments). That showing was exceeded only by the 1976 record of $1.45 billion.

Far the largest market was Poland, taking nearly half the total, followed by the German Democratic Republic (GDR) with more than $200 million worth. While grains, oilseeds, and oilseed products continued to dominate U.S. agricultural exports to the region, a number of other products, some with considerable growth potential, also were shipped.

U.S. exports of grain to Eastern Europe—accounting for about half the total value—reached 5.4 million metric tons last year. This is substantially above the 4.1 million tons shipped in 1977 although still far below 1976's level of 7.5 million. Poland was the most important destination for grains, taking half the Eastern European total.

Feedgrains, primarily corn but also including some barley and oats, accounted for the major share of U.S. exports to the region. Wheat shipments made up one-sixth of the grains and went exclusively to Poland and the GDR.

U.S. soybean exports to the area doubled their 1977 level, reaching almost 600,000 tons, with virtually all going to Yugoslavia, Romania, and Poland. Soybean cake and meal shipments, at about 1.2 million tons, were unchanged from those in 1977.

This strong import demand for feedgrains and protein meal reflects Eastern Europe's recent efforts to increase livestock output, with consequent need for more high-protein meal.

Another factor in the trade picture has been the growing stress on oilseed—rather than oilseed product—imports, especially in the southern countries of Romania and Yugoslavia. This change has come about because of expansion in domestic oilseed crushing industries—a trend that is expected to continue in coming years.

U.S. exports of cattle hides to Eastern Europe reached $84 million last year. Other agricultural exports included beef and dairy breeding animals to Bulgaria, the GDR, Hungary, Poland, and Yugoslavia; cotton; citrus; nuts; live swine; and furs.

As in the past, Poland continued to be the region's single most important market for U.S. products, receiving a record $516 million worth. This compares with just under $300 million worth shipped in 1977 and the previous high of $492 million in 1976.

These exports included almost 2.7 million tons of grain and half a million tons of soybean meal, as well as tobacco and tobacco products, cattle hides, citrus fruit, soybeans, vegetable oil, and tallow. Poland is a major importer

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East European countries would consider buying wheat for reserve in the foreseeable future, but they may take advantage of intermediate-term credits to import breeding animals or build storage facilities.

The 1978 Act also opened the possibility of a U.S. agricultural trade office in the region. Such an office would provide a better opportunity to service important markets and the development of new outlets for U.S. products.

The road to increasing or even maintaining sales of U.S. farm products could be bumpy. But with perseverance, inventiveness, and competitiveness the task can succeed, despite a possible decline in Eastern Europe's total imports of agricultural products. □

under the Commodity Credit Corporation's Export Credit Sales Program (CCC credit or GSM-5). It accounted for four-fifths of all CCC-credit export financing of U.S. agricultural commodities to Eastern Europe 1978.

In second place among U.S. markets in Eastern Europe is the GDR, which imported substantial quantities of U.S. grains, some soybean meal, and cattle hides, Other imports from the United States included citrus fruit, sunflowerseed, cotton, live animals, and some meat and meat products.

Accurate analysis of U.S.-GDR trade has been hampered by the problem of transshipment of U.S. products through third countries—principally the Federal Republic of Germany. Only a relatively small share of U.S. exports moves directly to the GDR, so at one time there was a significant understatement—now corrected—of the country's importance as a U.S. market.

Romania currently is the third leading destination for U.S. agricultural products, taking $153 million worth in 1978, against $118 million the previous year. Cattle hides ranked as the most important U.S. export, earning $52 million, and Romania received two-thirds of U.S. shipments to the region as a whole. Next in line were soybeans, at $45 million, grains, cotton, and soybean meal.

This country is the second largest East European destination for CCC-credit financed commodities, last year drawing on nearly $43 million in GSM-5 credits—all for soybeans and corn.

Yugoslavia, in fourth place, accounted for about one-tenth of U.S. agricultural exports to the region. Its $128 million total was four-fifths above the 1977 value and more than three times that of 1976. This was the most important destination for U.S. soybeans. It also imported corn, soybean meal, cattle hides, dairy breeding cattle, some meat and meat products, and tobacco.

Czechoslovakia took slightly more than $80 million worth of U.S. agricultural exports last year, against $114 million in 1977. Corn accounted for about half of that total, while soybean meal exports were valued at nearly $12 million. Other U.S. exports included cattle hides, tobacco, sunflowerseed, citrus fruit, and hops.

Hungary was the second smallest East European destination for U.S. farm products in 1978, taking about $53 million worth. Soybean meal accounted for $32 million, with feedgrains, breeding stock, and cattle hides making up most of the remainder.

Potential exists, however, for increased agricultural exports to Hungary. In 1978, the country signed a trade agreement with the United States and was granted a waiver under Title IV of the Trade Act of 1974—the Jackson-Vanik amendment. It thus now enjoys MFN status with the United States and recently imported $15.8 million of U.S. soybean meal under CCC credit financing. In calendar 1978, Hungary drew almost $5 million in CCC credit—all for soybean meal.

The smallest U.S. market in Eastern Europe, Bulgaria last year was the destination for just under $40 million worth of commodities. These included corn, soybean meal, cattle hides, and dairy breeding animals.

The Bulgarian Government currently is undergoing a major reorganization of its agricultural sector. This had led to the abolition of the Ministry of Agriculture and Food Industry and creation of a National Agricultural-Industrial Union and to prospects for changes—as yet unspecified—in agricultural policy.

In addition, the U.S. and Bulgarian Governments are working on a joint statement on cooperation in the field of agriculture. □

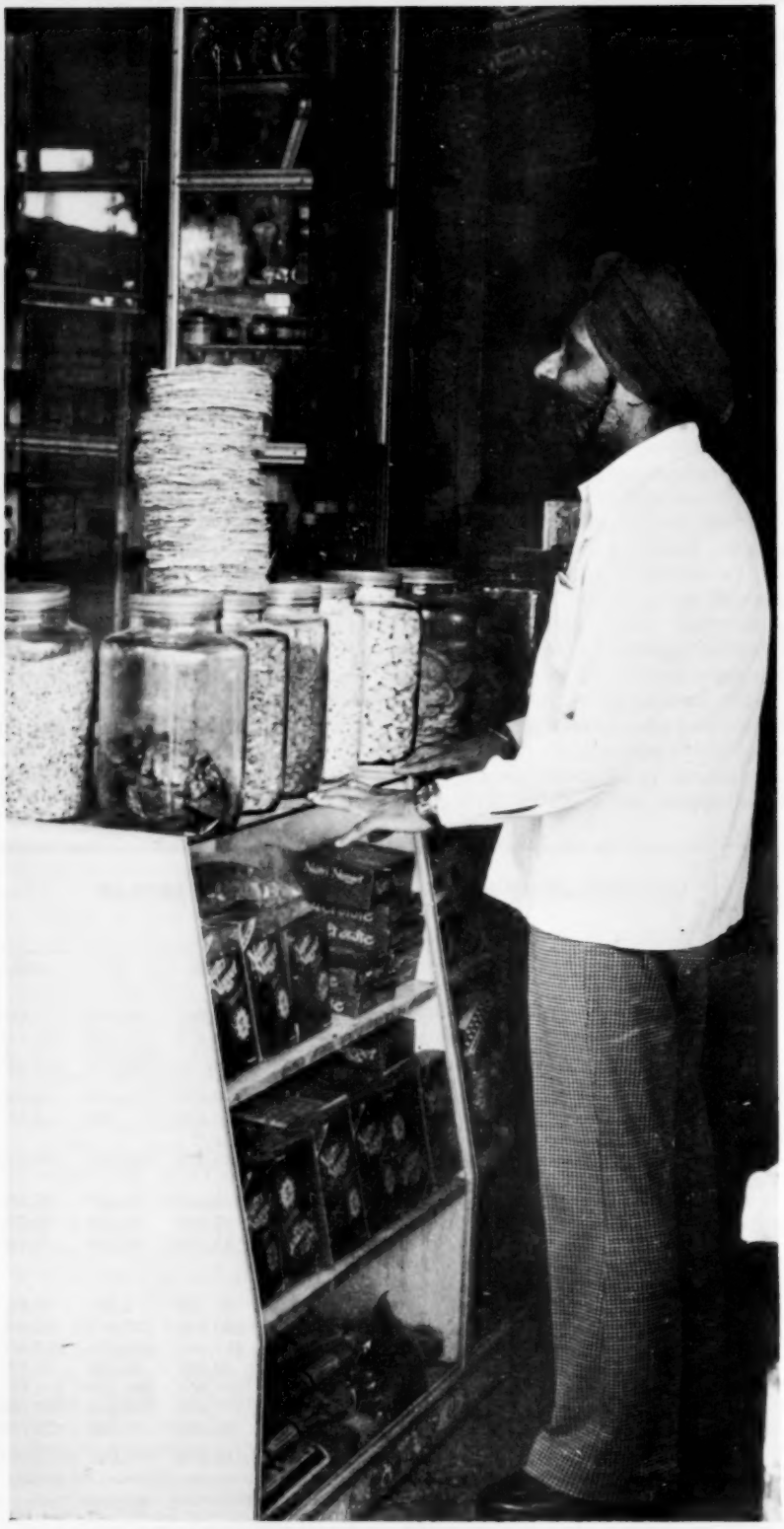
U.S. Agricultural Exports to Eastern Europe, 1972-78[1]

[In 1,000 dollars]

Item	1972	1973	1974	1975	1976	1977	1978[2]
Grain:							
Wheat	41,275	138,503	45,228	151,739	277,768	84,710	113,649
Feedgrains	83,951	155,621	325,097	499,960	650,972	310,305	463,412
Total	125,226	294,124	370,325	651,699	928,740	395,015	577,101
Soybeans	14,802	36,930	49,983	36,716	65,698	72,417	144,912
Vegetable oil	35,963	21,782	32,336	45,696	8,875	720	8,101
Soybean meal and cake	55,712	222,358	245,266	182,633	259,649	266,308	250,536
Cotton, excluding linters	15,123	20,052	48,080	16,337	9,842	10,497	28,280
Cattle hides	46,356	56,147	52,590	28,602	43,396	65,325	84,077
Other	38,283	56,423	83,747	62,728	73,779	83,769	79,190
Total agricultural exports:							
Bulgaria	1,652	2,499	15,806	19,610	31,596	2,681	39,893
Czechoslovakia	48,863	72,578	70,249	84,735	280,889	113,860	80,640
GDR	43,024	133,268	215,208	343,728	411,494	240,085	202,876
Hungary	10,966	26,467	37,185	40,463	22,232	49,043	52,672
Poland	85,545	290,464	269,160	384,566	491,941	299,139	515,562
Romania	44,674	76,106	158,991	108,704	171,976	118,314	152,785
Yugoslavia	96,736	104,434	115,728	43,424	39,851	70,939	127,769
Total	331,460	707,816	882,327	1,125,230	1,449,979	894,051	1,172,197

[1] Including transshipments through Belgium, Canada, Netherlands, and the Federal Republic of Germany. [2] Preliminary

Sources: U.S. Census Bureau; U.S. Foreign Agricultural Statistical Report; USDA/ESCS/FDCD; Export Sales Report, USDA/OGSM.



General merchandise store in India, where almonds are a common item of trade. U.S. almonds are gaining favor in India, where they are served at weddings and other high-prestige affairs.

U.S. Almonds Gaining Importance in India

Almonds from the United States are gaining a larger market share in India, where they are showing up more and more at religious and marriage ceremonies and business and social events. Generally serving as indicators of prestige and status, these nuts are being used in a number of traditional ways: As a winter table snack, in refreshing summer drinks, as a cosmetic and beauty-preparation ingredient, and in confectioneries.

Although Indian almond sellers were aware of the high quality of the U.S. product, import opportunities did not open up until 1977. Until that year, Indian trade liberalization programs permitted countries other than the United States to supply dry fruits (including almonds) as part of a drive to bring about a drop in dried fruit and nut retail prices.

Licenses were granted to importers for the purchase of almonds valued up to Rs10,000, a figure later raised to Rs50,000. Afghanistan and Iran were the primary beneficiaries of these liberalization moves and exported almonds to India under bilateral agreements.

Continuing talks between the California Almond Growers Exchange—an FAS cooperator—the U.S. Agricultural Attaché in New Delhi, and Indian officials resulted in the Government's eliminating in 1977 all restrictions on the value of almonds which could be imported under individual licenses. With this restriction removed, U.S. almond exports to India took off.

U.S. exports of almonds to India, according to the U.S. Census Bureau, amounted to 169 metric tons in 1976/77 (Oct-Sept), with a value of $391,000. A year later they amounted to 764 tons, worth a record $2.0 million, and would have been considerably larger had the U.S. almond crop been large enough to support the increase.

U.S. production has recovered and exports of U.S. almonds to India in

Clockwise from top: Handcart delivery of in-shell almonds to a market in the old section of Delhi; an Indian dried fruit store, where almonds are sold in sizable volume; Indian customers await their turns at a dried fruit and nut store in Old Delhi. U.S. almonds are winning away a growing share of the Indian almond market from Iran and Afghanistan, traditional suppliers.

1979 may soar, aided by shortfalls in Iran and Afghanistan, India's two traditional almond suppliers.

As of May, U.S. exports of shelled almonds in India were 622 tons, worth $5.8 million.

Although some almonds are grown in India (5,000-7,000 tons annually), most of the domestic requirement is met through imports. From 1951 through 1977, imports of almonds for all uses were permitted from Afghanistan and Iran. Small quantities of U.S. almonds were imported under users' import licenses for use in pharmaceutical preparations.

In the early days, Afghanistan was the most important supplier of India's imported almonds, with a three-quarter share of the market. In 1977/78 (April-Mar), these imports slipped from a high of 75-80 percent to about 50-55 percent. The remainder of the market went to U.S. almonds.

Trade sources report that in 1978/79, the Afghanistan share dropped lower than 50 percent as U.S. almonds gained importance. Most of Afghanistan's almond exports now go to the Soviet Union.

Although Afgan and Iranian almonds are still preferred by many Indians, U.S. almonds are benefiting from the U.S. industry's high standards of quality and kernel selection. These criteria have enabled U.S. almonds to compete well on the Indian market and will continue to play a dominant role in future trade. □

Proposed Changes in Australia's Wheat Stabilization Plan Go to Parliament

By Miles J. Lambert

A recently announced proposal for the new wheat stabilization plan in Australia envisions a high base minimum price formula, a significant increase in the first payment to growers, and a new two-tier domestic price system for feed wheat. Legislation for the new plan negotiated between the Ministry for Primary Industry (MPI) and the Australian Wheatgrowers' Federation (AWF), is now being drafted, and is expected to be introduced in Parliament in early August. A plan must be adopted by September 30.

The proposal follows extensive give-and-take between farmers and Government, which was fostered by last season's record wheat crop of more than 18 million tons that served to emphasize the shortcomings of the country's current wheat stabilization plan—the sixth one since the first was adopted in 1948. The new proposal is intended to eliminate most of those defects, but it still faces Commonwealth and State legislative approval.

A vigorous exchange of views was first triggered when the Industries Assistance Commission (IAC) released a report in June 1978 suggesting a restructuring of the wheat industry. The report contributed greatly to setting the bounds of the discussion, but was still highly controversial when a September 1978 decision of the country's High Court further delimited the bounds of the debate by upholding the exclusive authority of the Australian Wheat Board (AWB) in wheat marketing, thus invalidating those parts of the IAC proposals which envisioned participation of private traders in domestic wheat marketing. (See *Foreign Agriculture*, February 26, 1979.)

The almost unmanageable wheat crop of 1978/79 which ensued shortly thereafter served to highlight various ills attributed to the stabilization plan. The Treasury fretted over the inflationary pressure caused by the massive initial payments to farmers from the Reserve Bank of Australia. The AWB worried about how to ship more wheat out of the country, thus minimizing stock buildups at the same time that the loan from the Reserve Bank could be paid back through sales.

"The past season's developments are all the more alarming to the wheat industry in the face of an outlook calling for increasing production of Australian wheat in the upcoming decade."

But the AWB handling system was incapable of receiving a crop of such quantity in a reasonable time frame, and was additionally plagued by handlers' strikes. Farmers fitfully sought to store the grain until the AWB could accept it. Open-pit storage was commonly used.

The past season's developments are all the more alarming to the wheat industry in the face of an outlook calling for increasing production of Australian wheat in the upcoming decade. Current prospects are for wheat area in 1979/80 to be nearly 10 percent above the 1978/79 level.

Even if seasonal conditions do not bestow the 1978/79 yields again this year, Australia is certain to be handling significantly larger quantities of wheat in the coming decade than it did during 1972-79, when production averaged 11.3 million tons.

Negotiations between the Wheatgrowers' Federation and the Government's Ministry for Primary Industry (MPI) involved numerous proposals and counterproposals prior to agreement on the recent plan.

Payments to farmers were the central question, with three aspects dominating talks: The formula for a minimum price; the amount of the minimum price to be paid on delivery; and the safeguarding of earnings of producers of feed-quality wheat.

Minimum price. There will be a sizable discrepancy between Australian production potential and export capability in the 1980's.

If handling facilities are not to be perennially clogged until effective wheat export capacity can be expanded much beyond the currently stated 10-million-ton throughput capacity, the Board needs a mechanism which will encourage production generally, yet still be able to transmit disincentives for wheat production from the world market to Australian growers.

During the fifth plan, production quotas were invalidated and have not functioned since then as a means of production control. At the same time, a "stabilization price" was instituted, which compensated somewhat for that loss, but it is now out of harmony with increased AWB responsibility for grower incomes.

While usually described as a "minimum price," the stabilization price was such only in the technical sense of establishing a floor price through use of a formula; but there is no formula defining the AWB's responsibility for farmers' income levels vis-a-vis developments in the rest of the economy. On the contrary,

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the stabilization price became far more dependent on world wheat prices than on Australian production costs as the criterion for price. The AWF has pressed for a minimal price guarantee that would ensure a break-even return over the life of the new plan.

In late 1978, the Government, sensing that some possible proposals would be inauspicious for its economic priorities, proposed through the MPI a price alternative that has now been adopted. It offers growers a minimum price guaranteeing 95 percent of the average of returns of the preceding two seasons and the estimated returns of the current season. Additionally, annual movement in the price would be limited to 15 percent. The Government would meet any shortfall between the guaranteed minimum price and the net average pool return.

What is not sure is whether such a high price formula would be able to restrain production during the next 5 years if need be. Questions of handling, storage, and shipping expansion will doubtlessly follow upon the plan's enactment.

First payment. The new stabilization plan will incorporate means to pay farmers the guaranteed minimum price upon delivery, less freight and storage costs and fund contributions. It also will effect speedier payouts of each season's pool.

The initial payment guarantee would be backed by a fund built on farmers' compulsory contributions in years when returns run in excess of the minimum price.

The fund, to be called the Growers' Financing Fund (GFF), would contain up to A$100 million—A$20 million more than the limit on the fund during the present plan (current exchange rate is A$=US$1.13). However, A$80 million of the new fund would be a direct transfer of that amount now in the fund, and would be done instead of refunding the A$80 million to contributors.

Fulfillment of first-payment responsibilities will be eased by making the growers' fund available for withdrawals by the Board to pay back loans taken from the Reserve Bank for initial payments, rather than those obligations being tied solely to the achievement of sales.

Similarly, the AWB will be encouraged to make commercial borrowings to repay loans from the Reserve Bank's disbursements for initial payments.

The Government issued in early 1979 A$150 million in commercial bills to the money markets as a way of gathering funds for payment to farmers without increasing the rate of growth of the money supply.

Feed wheat. Farmers in those regions where sales to private grain traders were common prior to the High Court decision confirming the illegality of that practice are anxious to see some special consideration for the wheat they grow—namely, wheat of feed quality. At the same time, other growers and the AWB are determined to maintain the high quality reputation of Australian wheat, and the average earnings per ton achieved by each crop's pool.

"What is not sure is whether such a high-price formula would be able to restrain production during the next 5 years if need be. Questions of handling, storage, and shipping expansion will doubtlessly follow . . ."

The dispute focuses on the present inclusion of all AWB domestic-usage wheat under the concept of a "home consumption price." That price was indexed to increases in most costs of production so as to partially offset the effect on pooled earnings caused by any adverse movement in export prices. Thus biased toward higher pooled earnings, the home consumption price focused on more valuable wheat for human use.

Growers of average or above-average quality wheats feared that pool earnings could only decline by dealing in feed wheat. Developments in coarse grain prices were allowed no direct impact on AWB pricing of feed wheat. This went so far that in the sixth plan no distinction was made between prices for food and feed wheat on AWB domestic sales. However, producers of feed wheat did not benefit from that equality in sales prices. Their payment receipts were subject to large dockages, ostensibly for quality shortcomings alone. Production might have been discouraged had it not been for the "grey market" sales.

An anomalous situation typically resulted when export prices for coarse grains were declining. The Board's prices for feed wheat would be too high to compete with other feedgrains in stockfeed rations, yet not high enough to encourage wheat farmers to sell to the AWB rather than to stockfeed manufacturers, whose prices might reflect poor market conditions but nevertheless offered the benefits of immediate full payment.

The AWB's difficulty in disposing of feed wheat domestically in these market circumstances redoubled the disinclination to be a concerned participant in feedgrain marketing, since the AWB could do little but build stocks and shoulder storage costs in such situations. It also may have been a motivation behind dockages. Through dockages the AWB could recoup some of the financial loss in its feed wheat transactions which it sustained in trying to create an equality in the market value of food and feed wheat.

According to the recently announced MPI/AWF proposal, the home consumption price will be replaced by a two-tier domestic market for wheat. A "human consumption" quality of wheat would be dealt with through an AWB-administered price based on a formula that includes cost of production. A "stockfeed and industrial usage" wheat would be priced by the AWB to maintain competitiveness with other feedgrains. In this way growers of feed wheat will not have to be unduly penalized.

The AWB will be able to issue permits to deliver to receivers other than those licensed by the AWB, but only at AWB prices. In any case, much of the attraction once offered by sales to stockfeed producers will be obviated by the new minimum price and initial payment provisions. To prevent erosion of quality standards and to avoid lowering of pool returns, the Government has introduced legislation which would prohibit the delivery of some inferior varieties of wheat. □

WORLD FOOD PRICES

Food Prices Still Climbing in Most Surveyed Countries

Food price indexes (FPI's) continue to climb slowly in most of the selected countries surveyed. Notable exceptions are Belgium and the Netherlands, where the May indexes dropped 0.6 and 0.4 percent, respectively, to 172.5 and 165.1 (1970=100).

Indexes in Belgium, West Germany, and Japan increased by less than 2 percent over comparable May 1978 figures.

The U.S. index (202.7) was up 0.6 percent over April's when it reached the 200-percent level for the first time. However, this increase was the smallest recorded in the United States during 1979.

Germany continues to have the lowest FPI (148.8), followed closely by Switzerland (151.6).

U.S. Agricultural Counselors and Attachés report monthly FPI's for selected countries in alternate months, as well as reporting prevailing prices for selected food items in the capitals of the countries to which they are assigned.

By Jane K. Phillips, economist; Dairy, Livestock, and Poultry Division; Commodity Programs, FAS.

Meat. In Washington, D.C., beef prices are stabilizing and in some instances are dropping. This is largely because of attractive broiler and pork prices resulting from increased production, as well as consumer resistance to high beef prices.

In Canberra, red meat prices continued their upward trend at the retail level, mainly because of a shortage of supplies suitable for domestic trade. However, broiler prices have declined as producers expanded output in response to high red meat prices. Pork is in short supply and prices are rising.

Consumers in Buenos Aires are paying 29 percent more for sirloin as domestic beef prices rise in the wake of strong export and consumer demand.

In Brussels, retail beef prices are at record levels and resulting greater consumer demand for pork—as a reasonably priced substitute—has caused a 3-5

FOOD PRICE INDE IN SELECTED C

Country	Latest month	Index 1970=10
Argentina	May	111,485.6
Australia	May	240.8
Belgium	May	172.5
Brazil	May	1,161.6
Canada	May	237.4
Denmark	May	236.8
France	May	230.5
Germany	May	148.8
Italy	April	300.6
Japan	May	221.5
Mexico	May	361.2
Netherlands	May	165.1
South Africa	May	258.3
Spain	May	319.6
Sweden	May	221.4
Switzerland	May	151.6
United Kingdom	May	346.2
United States	May	202.7

[1]Based on official price indexes.

FAS SURVEY OF RETAIL FOOD PRICES IN SELECTED W

[In U.S. dollars per kg[1], or units as indicated, converted at current

City	Steak, sirloin, boneless	Roast chuck, boneless	Pork chops	Roast pork, boneless	Bacon, sliced, pkgd.	Broilers, whole	Eggs, dozen	Butter	Margarine	Cheese, Cheddar	Milk, whole liter	Oil, Cooking, liter
Bern	18.43	9.69	9.99	14.54	6.36	3.39	1.82	8.18	3.15	[2]	0.82	2.24
Bonn	10.33	7.86	5.54	5.54	10.78	2.16	1.27	4.67	1.73	5.63	.46	1.53
Brasília	3.04	2.93	2.77	3.82	6.30	1.50	.75	2.89	1.21	4.48	.27	1.08
Brussels	14.28	7.58	6.00	6.28	5.97	3.73	1.27	5.78	2.43	8.09	.69	2.31
Buenos Aires	[3]3.81	2.90	3.73	4.95	7.24	2.29	1.68	5.83	3.54	8.83	.84	2.97
Canberra	7.73	4.42	5.30	[2]	8.12	1.97	1.10	2.24	2.05	2.58	.46	2.15
Copenhagen	18.23	7.91	9.00	8.59	8.85	3.25	1.81	4.14	2.22	[2]	.58	3.15
London	13.17	5.66	4.98	3.81	6.64	2.24	1.44	3.27	2.00	4.20	.59	1.86
Madrid	9.06	6.74	4.51	7.97	6.11	2.03	.86	6.97	3.32	[2]	.52	1.44
Mexico City	4.01	3.81	3.44	4.05	[2]	2.11	.67	4.05	1.81	7.43	.28	1.09
Ottawa	[3]6.40	4.88	4.33	3.56	3.18	2.29	.88	2.76	2.46	4.64	.53	1.73
Paris	9.33	4.88	5.60	6.45	10.34	3.84	1.97	4.85	2.25	5.72	.53	1.98
Pretoria	4.76	2.54	3.73	4.01	4.54	1.46	.74	2.36	1.84	3.00	.47	1.52
Rome	10.26	9.07	5.44	6.41	5.60	2.77	1.28	4.58	1.87	[2]	.56	1.08
Stockholm	15.22	8.46	7.25	13.14	7.08	4.14	1.90	3.63	2.86	6.51	.51	5.46
The Hague	12.00	6.91	5.43	7.76	9.83	2.17	1.00	4.45	1.56	[2]	.51	1.31
Tokyo	35.70	21.55	8.68	9.19	8.82	3.29	.84	6.36	2.62	5.10	.96	1.90
Wash. D.C.	[3]7.47	4.83	5.27	[3]3.28	3.73	1.52	.85	4.08	1.70	5.05	.62	2.31
Median	9.80	6.20	5.37	6.28	6.64	2.23	1.14	4.30	2.15	5.63	.53	1.88

[1]1 Kg=2.2046 lb; 1 liter=1.0567 qt. [2]Not available. [3]Bone-in.

NDEX CHANGES
O COUNTRIES[1]

Index: '0=100	Percent change from Prev. mo.	Three mo.	One year
,485.6	+6.9	+20.5	+46.8
240.8	+1.4	+ 3.3	+13.7
172.5	- .6	- 1.7	0
,161.6	+1.1	+10.7	+50.4
237.4	+ .6	+ 4.1	+13.4
236.8	0	0	+ 8.1
230.5	+ .9	+ 2.5	+ 8.3
148.8	+ .7	+ 1.9	+ 1.4
300.6	+1.1	+ 4.3	+13.1
221.5	+ .5	+ 2.7	+ 1.9
361.2	+1.7	+ 3.3	+18.6
165.1	- .4	+ .5	+ 2.1
258.3	+ .2	+ 2.5	+15.9
319.6	+ .6	+ 2.1	+11.6
221.4	+ .8	+ 1.4	+ 4.6
151.6	+ .5	+ 2.0	+ 2.8
346.2	+1.8	+ 2.4	+10.2
202.7	+ .6	+ 2.5	+11.3

percent increase in pork prices from the low May 1979 levels.

Broiler prices are at the highest level since July 1976, mainly because of small domestic supplies, coupled with continued strong export sales.

Strong export markets also have pushed up beef and pork prices in Copenhagen by 7.5 and 15 percent, respectively.

Egg prices at The Hague continue very low owing to continued overproduction and the lack of sizable volume export contracts outside the European Community to absorb the surplus. As a result of the continued Dutch overproduction, egg prices in Brussels were down 6 percent.

Egg prices in Tokyo are falling (down 11 cents a dozen since May) also because of overproduction. The industry is currently stockpiling eggs to counter further price decreases.

Produce. Produce prices were up in Washington, D.C., with the exception of tomatoes, which are in season. Potato prices have recovered from record May lows. Seasonal price variations are occuring in all the capitals surveyed. The availability of sizable supplies of domestic tomatoes lowered prices in Stockholm, Copenhagen, Brussels, and Rome.

Potato prices were down in most capitals as spring crop supplies reached the market. A notable exception was Brussels, where prices were up 7 percent because of delayed marketing of 1979 early varieties.

In Buenos Aires, apple and orange prices were down as the current-season harvest is now coming to market. This was also true for Pretoria and Brasilia. Prices of Brazilian oranges were down in The Hague because of the high import volume and competitive prices.

However, South African orange prices in Brussels were up 12 percent over last year's, in part because of the lack of competition from U.S. oranges. High import prices, a result of the short U.S. orange crop, has caused the U.S. fruit to all but disappear from market in Brussels.

Dairy. Retail milk prices in the United States have remained constant since January. In the United Kingdom, an 11 percent increase in the price of milk was authorized beginning June 3, and butter prices were down because of a consumer subsidy that took effect July 2.

In Pretoria, a shortage of milk products has caused price increases. Butter has had to be imported to supplement the local supply.

WORLD CAPITALS, JULY 3, 1979

urrent exchange rates]

Oil, Cooking, liter	Tomatoes	Onions, yellow	Potatoes	Apples	Oranges	Bread, white pkgd.	Rice	Sugar	Coffee, ground roasted
2.24	2.06	0.85	0.58	1.21	1.45	1.94	1.15	0.64	7.75
1.53	1.37	1.48	.41	1.35	1.52	.86	1.44	1.05	9.07
1.08	.56	.51	.32	1.37	.25	.96	.50	.36	3.79
2.31	1.58	.92	.29	1.27	1.42	1.25	1.35	1.25	8.97
2.97	1.49	.69	.50	1.07	1.07	1.33	1.45	.91	7.62
2.15	.77	.58	.45	.74	.67	.98	.81	.54	19.52
3.15	2.75	1.57	.72	1.85	1.50	1.86	1.66	1.75	9.26
1.86	1.66	.78	.49	1.56	1.02	.88	1.17	.69	9.17
1.44	.67	.58	.52	.86	.89	.88	1.11	.66	8.04
1.09	.46	.30	.31	1.09	.29	.58	.66	.26	3.61
1.73	1.74	.66	.38	1.50	1.46	.60	1.61	.47	6.85
1.98	1.17	1.10	.23	1.13	1.49	2.19	1.49	.75	8.39
1.52	.78	.60	.52	.58	.27	.34	.99	.48	9.29
1.08	.97	.48	.36	.97	1.08	1.99	1.27	.81	7.80
5.46	3.05	1.57	.76	2.13	1.28	2.23	1.64	1.02	7.78
1.31	.83	.73	.20	1.15	.89	.88	.84	.85	5.19
1.90	.89	.74	1.23	2.41	2.26	1.51	1.45	1.09	13.56
2.31	1.96	1.08	.57	1.52	1.10	.62	.93	.71	7.03
1.88	1.27	.74	.43	1.18	1.09	.97	1.21	.72	7.80

Data Qualifications. *Food price indexes, which reflect food price changes in general, are obtained from official government sources. They are based on local-currency prices, and are not directly affected by exchange rate fluctuations.*

Food prices of selected commodities are obtained by U.S. Agricultural Counselors and Attaches on the first Wednesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of compilation. Thus, shifts in exchange rates directly affect comparisons between time periods.

The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availability vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries.

Modernized Agriculture Boosts Spain's Markets at Home and Abroad

By Leon G. Mears

Spain's modernization of its agricultural economy is resulting in expanded outturns of farm products for domestic and export markets. In the following article, U.S. Agricultural Attaché Leon G. Mears points out the impressive gains made recently by Spanish agriculture—a vital factor in the coming negotiations relating to Spain's proposed membership in the European Community and one that will have significant impact upon Spanish agricultural trade.

Farmland in Spain's Santander Province.

Spain's agricultural production during the past two decades has expanded at a pace unmatched in Western Europe. Modernization of Spanish agriculture, now progressing rapidly, is the primary factor behind this impressive boost in farm output that has made a major contribution to overall development of the economy, supplied growing domestic food needs, and made available larger quantities of foods and beverages for export.

During the first half of this century, Spain's farm output lagged well behind the growth experienced by most other West European countries, but around 1960 production began to accelerate. In sharp contrast to the earlier performance, agriculture recently has become one of the most dynamic sectors of Spain's economy.

Spain's total agricultural production index reached 177 in 1978 (1961-65=100)—well above the 1978 production indexes of other West European countries and sharply above the index of 131 for European Community (EC) countries as a group.[1]

The important changes that have taken place in the agricultural sector in the past 15-20 years have been gradual and have gone generally unnoticed by many Spaniards.

However, it is now becoming increasingly clear that the farm sector has played—and is playing—a much more important role in overall economic development of Spain than was generally recognized in the past.

This recognition will likely result in more interest in the agricultural sector and greater allocation of resources for further development in the years ahead—particularly as EC membership becomes a reality.

Modernization of Spanish agriculture has released millions of farm workers for employment in the expanding manufacturing and service industries. Both the number of workers engaged in agriculture and the proportion of agricultural labor in the total labor force have been declining at a rapid rate—in 1978, a decline of 2.3 to 2.6 million. The share of agricultural labor in the total labor force declined from 40 percent in 1960 to 25 percent in 1970, and currently is estimated at 18.5 percent.

Prior to the 1960's, agricultural production was restricted by such factors as lack of production incentives, low capital investment, lack of effective demand, and inadequate research and extension service.

Today, agriculture has acquired new strength and dynamism, reflecting important Government policy changes. The impressive economic growth that has occurred since 1960 has been accompanied by a very sharp increase in demand for food, particularly animal products. The Government has actively promoted agricultural development through a wide variety of programs, abolished many internal controls on marketing, and permitted large imports of breeding stock and feed raw materials to aid livestock and poultry development.

This year, crops are expected to account for about 55 percent of the value of total agricultural production. Crop output has expanded at an average annual rate of about 2.5 percent in the past decade, with sharper rates of growth in recent years.

Production of grains, oilseeds, citrus fruit, and several other fruits and vegetables has shown the most rapid increase. Grains comprise more than a third of cultivated areas—7.2 million of 20.6 million hectares. Barley, wheat, and corn are the major grains, and recent large production increases are attributable mainly to higher yields resulting from greater usage of modern inputs rather than an expansion in area.

Livestock and poultry raising is growing steadily in importance. Since 1965,total animal product output has expanded at an average annual rate of about 6-7 percent per year. Much of this increase is attributable to spectacular growth in poultry meat, egg, and pork production.

The availability of feedgrains and soybeans from the United States, Brazil, Argentina, and other efficient suppliers has made it possible for Spanish poultry and livestock producers to utilize imported raw materials to produce a progressively larger share of the high-quality animal products demanded by Spain's increasingly affluent consumers.

Per capita meat consumption in Spain increased from an annual average of 34.2 kilograms in 1965-67 to the carcass-weight equivalent of 55.9 kilograms during 1975-77. Yet, meat imports in the period 1975-77 averaged 84,600 metric tons per year, well below the 115,500-ton 1965-67 annual import level.

Favorable Government agricultural policies and increased consumer demand undoubtedly have provided the primary thrust for the sharp growth in production of animal products, but assistance from the United States and other countries also has been a key factor.

For example, in the past two decades there has been a major transfer of advanced livestock and poultry production and marketing technology from the United States to Spain through study in the United States by hundreds of Spanish agricultural officials, agribusiness leaders, livestock and poultry producers, marketing teams, feed manufacturers, and others.

Also, investment by U.S. firms, U.S. Government technical assistance programs, and visits by leading U.S. experts have assisted in the technology transfer.

Spain Leading Agricultural Imports, Calendar 1978

[In million dollars]

Commodity	Value
Soybeans	561.8
Corn	493.6
Raw coffee	341.7
Raw hides and skins	190.6
Leaf tobacco	157.4
Red meat, edible offals	149.0
Cocoa beans	129.4
Alcoholic beverages	128.8
Total	3,234.2

Source: Spanish Customs.

Spain: Leading Agricultural Exports, Calendar 1978

[In million dollars]

Commodity	Value
Citrus	504.6
Wines	241.0
Fresh vegetables	233.9
Soybean oil	160.2
Processed vegetables	134.6
Table olives	124.4
Edible tree nuts	117.3
Olive oil	112.0
Total	2,431.2

Source: Spanish Customs.

[1] **Source: "Agricultural Situation in Western Europe," (Suppl. 4 to WAS 18), ESCS, USDA, May 1979.**

Mr. Mears is U.S. Agricultural Attaché in Madrid.

The exchange of agricultural technicians and scientists between Spain and the United States is continuing on a major scale. There are currently 41 agricultural projects under the Science and Technology Agreement of the U.S.-Spain Treaty of Friendship and Cooperation. Included are many projects aimed at increasing livestock and poultry production through control of infectious diseases and parasites of animals.

A wide variety of livestock and poultry development activities has been conducted in Spain by U.S. private trade associations in close cooperation with Spanish Government agencies and local industry associations and private firms. These U.S. associations include the U.S. Feed Grains Council, American Soybean Association, National Renderers Association, and Holstein-Friesian Association.

These jointly planned, implemented, and financed animal product expansion programs have included management in general and feeding in particular of poultry, swine, sheep, dairy cattle, and beef cattle. Activities relating to fish farming are now being initiated to help offset the recent decline in the offshore fish catch resulting from various fishing restrictions imposed on the Spanish fishing fleet, one of the world's largest.

Spain and the United States have both benefited from joint programs aimed at modernizing Spanish agriculture.

The mutual benefits of cooperation in areas such as animal disease and parasite control, optimum usage of semi-arid regions for crop and animal production, water and soil conservation techniques, forestry management and joint research in improving fruit and vegetable varieties are widely recognized.

Many of the fruit and vegetable varieties grown in southwestern United States originated in Spain, where climatic and soil conditions are similar.

Spain's agricultural modernization process has led to an expansion of existing agribusiness enterprises and creation of new ones. An estimated 18.5 percent of the total work force is now directly engaged in agriculture, but according to recent Spanish Government estimates another 15 percent is employed in transporting, processing, and marketing farm products or producing needed inputs such as farm machinery, fertilizers, agricultural chemicals, and animal feeds.

One example of agribusiness growth that has accompanied and contributed to agricultural modernization is Spain's mixed feed industry. During the past 20 years this industry has grown from a rudimentary, infant operation to a modern, highly specialized $2 billion business expected to produce some 12.5 million tons of high-quality animal feed this year (*Foreign Agriculture*, May 5, 1978).

Processing of agricultural products for domestic consumption and export is another major agribusiness growth area that is providing employment opportunities for many of the rural workers displaced by increased farm mechanization.

Processing of fruits and vegetables, in particular, has expanded at a pace that reflects strong domestic and export demand as well as Government incentives aimed at stimulating growth of food processing.

Modernization of Spanish agriculture also has contributed to the impressive growth of Spain's agricultural exports. In the early 1970's, exports averaged about $825 million annually. By 1975, exports of farm products had reached $1.6 billion and in 1978 totaled a record $2.4 billion.

Spain's agricultural imports are primarily raw materials needed to support the mixed feed, oilseed crushing, textile, leather goods, and cigarette industries, and tropical products such as coffee and cocoa.

A large share of the value of the imported raw materials is exported after processing into finished goods such as textiles, shoes and other leather items, and soybean oil.

For example, soybeans were Spain's leading agricultural import item in 1978 with imports valued at $561.8 million, but soybean oil from the imported beans was the fourth largest agricultural export item last year with shipments valued at $160.2 million.

Perhaps the single most important factor that will affect the future rate of agricultural modernization in Spain is the relationship with the EC. Negotiations for EC membership are scheduled to begin in September 1979.

Recent agricultural growth and prospects for the future will receive considerable attention and the negotiations may be long and difficult. Almost two-thirds of Spain's agricultural exports currently go to the nine EC members, and this share is expected to increase with membership.

The Spanish Ministry of Agriculture currently is preparing a comprehensive legislative package to be submitted to the Cortes (Parliament) in the next few months that will prepare Spanish agriculture for EC membership through further modernization.

Many Government officials believe that Spanish agriculture will have a strong comparative advantage within the EC, particularly in supplying a wide variety of fresh and processed fruits and vegetables.

Modernization of Spanish agriculture has benefited the economy in general and consumers in particular. According to recent retail price surveys in Madrid and other major West European capitals, food prices in Madrid are generally well below the West European average. Prices of milk, eggs, and pork chops in Madrid were the lowest among the 10 European capitals, and broilers and sirloin steak were the second lowest.

In addition, modernization of Spanish agriculture has been beneficial to U.S. agricultural producers and exporters of items Spain cannot produce in sufficient quantity because of land and climatic limitations.

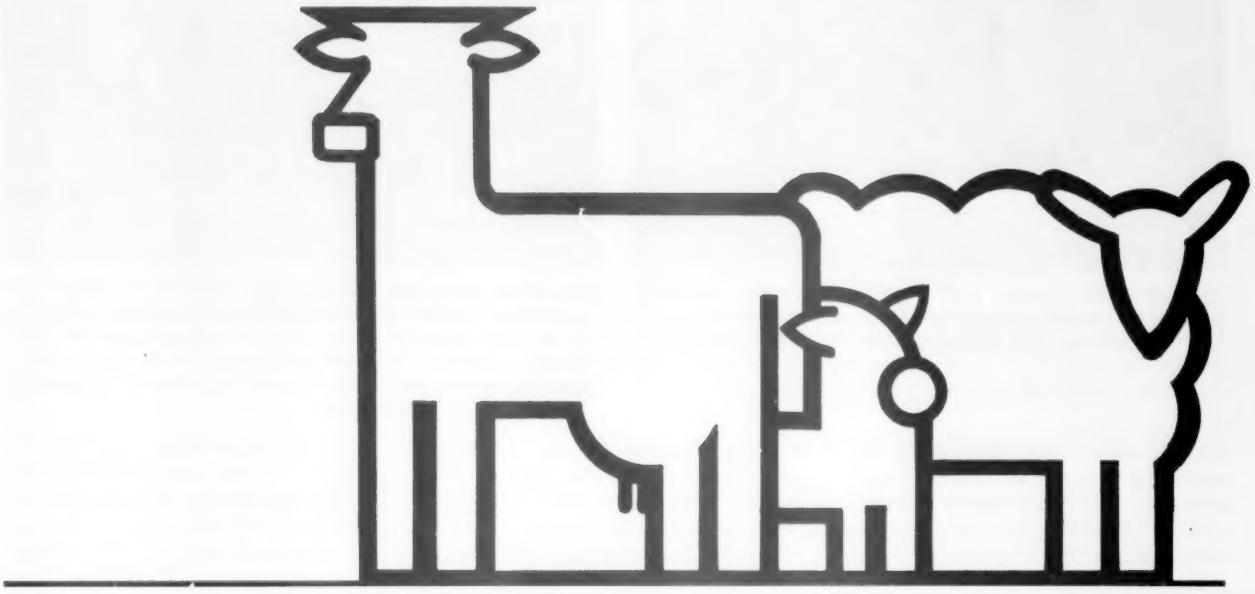
More productive usage of land now under irrigation and further irrigation of dry land in semi-arid regions are expected to receive particular emphasis in future modernization plans. Only a small share of the irrigated area is currently utilized for more than one crop per year, but according to Government experts double cropping is feasible in many areas and even triple cropping is possible in southern Spain.

During 1978 a total of 85,988 hectares of dry land was transformed into irrigated areas. This compares with the average 43,400 hectares annually converted to irrigation during 1973-77.

Spain's imports of U.S. agricultural items in 1978 totaled a record $1.1 billion, comprised largely of soybeans ($429.8 million), corn ($356.0 million), soybean meal ($73.5 million), leaf tobacco ($56.2 million), hides and skins ($25.6 million), and cotton ($25.4 million). Large imports of these items are expected to continue after Spain's accession to the EC because of the current large deficit production of these items within the Community. □

U.S. Feed Grains Council in Italy

Livestock Industry Is Focal Point



The U.S. Feed Grains Council (USFGC) is working closely with Italy's beef, dairy, hog, and sheep producers to help promote new production techniques that will eventually boost U.S. feedgrain sales, according to Romano Graziani, Director of the Council's Rome Office.

The Italian Government is spending large sums to develop these livestock sectors, but Italy still had a livestock and meat trade deficit equivalent to $3.1 billion a year between 1976 and 1978, and the 1979 deficit will be similarly large.

"Any reduction in this deficit means a saving in Italy's foreign exchange account. Furthermore, larger domestic production of livestock will put more money in the pockets of Italian producers," Graziani indicated. "These facts alone underline the importance of USFGC programs in Italy.

"Good-quality feeder calves are in short supply in Europe, and Italy's production comes nowhere near meeting its requirements. And the situation is going to worsen in the future with the adoption of stringent EC (European Community) policies designed to reduce the dairy surplus by cutting the size of dairy herds," Graziani noted. "Furthermore, the calf shortage will become even more pronounced as per-cow productivity increases and dairymen sell off their less productive cows and replace them with smaller numbers of high producers.

"At the present time, Italy imports some 1.5 million feeder calves annually and the number required will grow as population and per capita consumption rise. Thus there is a conflict between reduced import availabilities and enlarged needs. This means that domestic production must be pushed.

"One Council program now underway is designed to promote new breeding and feeding techniques to boost the number of multiple calf births, and to develop improved weaning and rearing methods.

"Under the USFGC program, a third-party Italian cooperator plans to import 1,000 unbred heifers this year. At the proper time, they will be estrus-synchronized, treated with hormones to encourage conception of twins, and artificially bred with semen from bulls known to produce high-quality offspring having uncomplicated deliveries. The heifers then will be distributed to farmers participating in the program.

"The bred heifers will be under constant supervision of technicians who will recommend feeding regimens, provide veterinary services, assist in calving and weaning activities, keep computerized records, and assess the economic impact."

The confined cow-calf program, another plan sponsored by the Council, will be located in two distinct areas of the country to take advantage of local supplies of farm byproducts: in the Po Valley, where large quantities of corn stover are available, and in the Apulia region, where wheat straw covers large areas of the farmland.

The USFGC has been studying practical ways to chemically treat straw in

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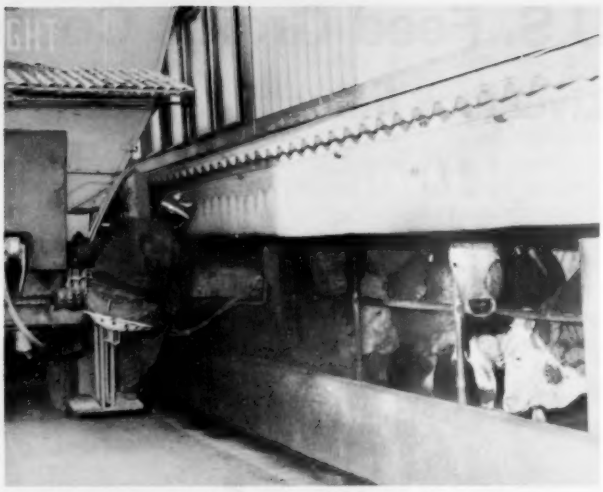
By Marcellus P. Murphy, staff writer, Foreign Agriculture.

Romans crowd around a pork sausage distribution center in the Italian capital to take home free samples during a USFGC campaign to promote consumption and sales of lean pork.



Automated truck distributing feed at Italian feeding operation. USFGC sponsors programs in all phases of livestock production: Beef, dairy, sheep, and swine. The ultimate objective of these programs in Italy and many other countries where the Council operates is to promote the sale of U.S. feedgrains.

order to improve its digestibility by ruminants. A cooperative was formed at Foggia, the "La Foraggera Dauna," to buy a hay cubing machine from the United States.

A lye-spraying device will be installed on the machine to treat the straw while it is being harvested and chopped. The resulting straw cubes should have the nutritive value of good hay and would be fed to beef cows raised in confinement for the production of quality feeder calves.

"It is impossible to determine the full impact of these and other USFGC programs on U.S. feedgrain exports to Italy," Graziani said, "but it will be considerable."

Each cow will consume over 1.5 tons of grains, or of grain equivalent, and about 0.4 tons of soybean meal, or of protein equivalent.

U.S. exports of feedgrains have grown steadily since 1968 and in 1977/78 amounted to 2.1 million tons, worth $223 million.

"One other program dealing with feeder calves to which USFGC gives assistance is a joint Franco-Italian experiment to cut the number of imported calves that die after they arrive in Italy. Several hundred thousand feeder calves are shipped from France each year in apparent good health, but 5-25 percent die after arrival in Italy," Graziani said.

"Italian importers have cut losses somewhat by signing with certain French farmers contracts specifying weaning methods. But for the most part, losses are still too high. So it is believed entirely new weaning methods must be developed.

"Most of the research will be done at five weaning stations to be built in Italy this year, each capable of handling 100-200 calves. There, tests will be run on existing weaning methods and potential ones to determine the best.

"At the same time, French calf exporters will study the route from French farm to Italian importer to determine if some overlooked danger is responsible for the deaths," he said. "Particular attention will be paid to the method French farmers use to wean calves shipped to Italy to ascertain whether this is the weak spot.

"At various times during the year, French technicians will come to Italy to compare notes with their Italian counterparts. It is hoped that these conversations, the research in Italy, plus the traceback in France, will result in a weaning method that will reduce calf mortality by at least 50 percent," according to Graziani.

"USFGC/Rome also is engaged in a program to help boost dairy production in the south of Italy, a chonically milk-deficit region. On the surface, this may seem to be a simple project—just utilize in the south successful methods evolved in the north and be done with it. But the south's climate and environment are so different that a whole new set of principles is needed.

"To develop them, USFGC has signed a pilot technical-assistance agreement with one of the south's top dairy producers who plans to increase his milk-herd size to 250 Holstein cows, all from the United States. For 2 years, USFGC will concentrate its efforts to help increase his productivity, largely through the use of high-energy rations. After that time, the program will be extended to take in 3 farms, and in 5 years, 10 farms.

"It is believed the use of such rations will so demonstrably boost the milk output of the farms involved that a norm of feeding 2 tons of feedgrains per cow per year may be generally adopted by other dairy producers," Grazinai said.

"In the swine area, USFGC/Rome has been working with the pork industry to develop a leaner type hog than that traditionally sold in Italy. Partly as a result of this activity, Italy's consumption of pork has mounted and domestic production has climbed to take care of some of this new demand.

"But the rise in per capita consumption—from about 9 kilograms in the early 1960's to 19 kilograms in 1977—and the rise in production—from 425,000 tons in 1960 to 866,000 tons in 1978—have revealed weaknesses in Italy's traditional producing and marketing methods.

"The answer seems to lie in the integration of producing and marketing systems. USFGC and a large U.S. feed company are assisting in the establish-

Romano Graziani, USFGC director for Italy (facing camera on right), escorts a multinational feedgrains industry team during a beef symposium in Verona, Italy, in 1971.

Members of the multinational feedgrains industry team visited an Italian feed processing plant during its visit to a Verona beef symposium. One of the USFGC-Rome's important responsibilities is to escort Italian industry teams in the United States and U.S. and multinational teams on visits to Italy.

ment of two production/selling units—one each at Francavilla Mare and Cremona. The program's objectives are to boost marketing of hogs by 1982 to 250,000 head a year.

"The Francavilla project—headed up by Cooperative Zootecnica Abruzzese—not only produces and sells its own pork, it also markets the output of farmers in the area," Graziani noted. "In 1978, the cooperative marketed 5,000-6,000 head of slaughter swine, about half of them produced by members of a so-called feeder-pig group. By 1980, slaughter marketings are expected to reach 50,000-60,000 head, 40,000 from the pig group. This latter figure will probably rise even higher as other groups join the feeder-pig group," Graziani said.

"The second integrated production/marketing plan hinges on contract purchases of swine by a commercial slaughterhouse. Farmers supplying finished animals will be paid according to carcass value, a new concept for Italy. The plant's capacity is 5,000 head per week, although the current production is less than this.

"Another USFGC/Rome program is designed to help bring high quality swine breeding stock to small-scale farmers in the Marche region—at first to 10-12 farmers, later to others. The Council will cooperate with an Italian breeder who is establishing a commercial feedlot to make available 500 breeding sows a year to farmers whose operations now revolve about sows of low quality. With the introduction of the new breeding line, the farmers in the Marche region will undoubtedly earn a better income from their hogs, and probably will feed imported feedgrain to keep production high," Graziani said.

"The Fund for the South (Casa per il Mezzogiorno), the Government agency to develop the economy of the country's southern region, has in effect a 5-year plan to boost production to 100,000 heavy lambs a year by 1980. Farmers and production groups of all sizes were gearing up to start production when regulations were issued that limit payment of lamb fattening premiums to producers having a 500-head minimum production capacity.

"In consequence, many individual producers have turned to USFGC/Rome for assistance in meeting the new requirements. In addition, the regional Governments in Apulia, Abruzzi, Marche, and Campania have asked USFGC to provide technical assistance to farmers in these regions.

"It is felt that such a program—providing sound technical advice to lamb producers—will enable many of them to meet the 500-lamb requirement. It could also increase the number of large-scale producers and in general benefit the economy of the south," Graziani declared.

Another sheep program calls for USFGC to provide technical advice on a Fund-financed plan to operate a 5,000-head lamb feedlot. The feeding program got underway in 1978 when temporary facilities were stocked with 3,000-4,000 head of lambs scheduled to be fed out in the fall/winter months of 1978/79. The permanent feeding facility is to be completed and operational in late 1979.

"The first production cycle will provide experience in feeding large numbers of sheep, which will be fed to a live weight of about 25-35 kilograms. Since there are only one or two large-scale lamb-feeding operations now in Italy, the data garnered as a result of this project will receive intensive study from lamb feeders seeking to meet the 500-head regulation," Graziani said.

"And, of course, there are a number of other USFGC/Rome programs geared to the needs of Italy's livestock industry. For example, the Council periodically sponsors team visits to the United States or to other countries to study feeding projects. This year, a beef team will come to the United States and a lamb team will go to Spain," Graziani said.

"Although every USFGC/Rome program is designed to fill a particular need of the industry, there are two threads running through them all. The first is that flexibility must be built into each program so that immediate changes can be made as required by circumstances, and second, each is designed to build a market for U.S. feedgrains." □

U.S. Mink Exports Boom As World Demand Rises

By Nick Havas

Rising export values for mink pelts and garments are encouraging U.S. producers to expand production. U.S. exports of mink pelts in 1978 were up 11 percent from the 1977 level to about $75 million, and mink garments were up a strong 25 percent to about $19 million.

Since 1972, the total value of U.S. mink pelt exports has jumped nearly 160 percent from $29 million, reflecting both a 40 percent increase in volume (from 1.9 million to 2.7 million) and an 80 percent increase in average price per pelt (from $15.40 to $28.20).

From 1972 to 1978, annual production of U.S. mink pelts hovered around the 3-million mark. Last year, however, producers responded to strengthening foreign demand with a 4 percent increase to 925,000 bred females. This year, the gain in bred females is projected at 8 percent (a total of about 1 million animals) over the 1977 level.

The higher U.S. mink population forecast for 1979 could result in a total U.S. export availability this year of close to 3 million pelts, valued at about $90 million.

Of the 2.7 million U.S. mink pelts exported in 1978—equal to over 80 percent of the estimated 3.2 million U.S. production—dressed pelts accounted for over 41 percent.

The 140,000 additional pelts exported in 1978 over the 1977 level reflects an increase in dressed pelts of about 250,000 and a decline in raw-pelt shipments of about 110,000. Prices during 1978 of both types of pelts averaged 3 percent higher than in 1977.

U.S. export sales of mink pelts during the past 7 years have been shifting from raw toward dressed pelts. In 1972 the 320,000 dressed pelts exported accounted for only 17 percent of the quantity and 23 percent of the value of total pelt exports that year. By 1978, dressed pelts accounted for over 41 percent of the quantity and 53 percent of the value.

Despite the higher returns on dressed pelts compared with raw pelts, there are other contributing factors precluding a complete switch to dressed pelts over raw pelts—such as quality, variety, grade, demand, time of year, and the element of risk created by the possibility that at the time of sale there may not be sufficient price differentials between dressed and raw pelts—even those of like quality.

Prices of dressed pelts in 1978 averaged nearly 60 percent higher than prices of raw pelts—$36.15 compared with $22.63. The price differential between raw and dressed pelts—about 36 percent in 1973—reached a high of 68 percent in 1975.

For the period 1972-78, the average price of $31.05 for exported dressed pelts was 65 percent higher than the raw-pelt average of $18.81 (table 3).

Although dressed pelts accounted for two out of five pelts exported from the United States during 1978, the type of pelts by export destination varied considerably.

Greece, Hong Kong, and Japan imported mainly dressed pelts (98-82 percent), while the United Kingdom and France imported primarily raw pelts (95 and 90 percent, respectively).

Although raw and processed U.S. mink pelts are exported to about 30 countries, in 1978 10 destinations accounted for 96 percent of the total export value, and four countries for 85 percent of the total export value of mink garments (tables 1 and 2).

The U.S. Mink Breeders Association (EMBA) and USDA's Foreign Agricultural Service (FAS) promote mink exports through a joint Cooperator program. In 1978, EMBA and FAS concentrated mink promotion activities in five of the 10 most important mink export markets, allocating 27 percent of the available funds for promotions in West Ger-

Continued on page 36

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Mink buyers inspect pelts prior to auction.

FACT FILE

U.S. Agricultural Export Programs

Authority and Background

The Foreign Agricultural Service

The United States maintains a global system to gather and assess information on world agriculture and trade. This analysis enables American agriculture to market abroad advantageously, and it helps American consumers to obtain food products they need from other countries. The mandate to coordinate these global activities became the responsibility of the Foreign Agricultural Service (FAS), established March 10, 1953, as an agency of the U.S. Department of Agriculture.

FAS was created from the Office of Foreign Agricultural Relations, a USDA agency engaged in the analysis and reporting of foreign agricultural intelligence. Since its formation, FAS has also been the center for activities related to the development, expansion, and maintenance of export markets for U.S. agricultural commodities.

U.S. Counselors and Attachés

The agricultural counselors, attachés, and other FAS officers assigned to U.S. embassies and consulates around the world play a key role in gathering the global information so vital to U.S. agricultural trade. Originally assigned to the U.S. Department of Agriculture, the attachés were transferred to the Department of State by Executive Order in 1939. The Agricultural Act of 1954 (P.L. 690), approved August 28, 1954, provided for the attaché service to be a part of the Foreign Agricultural Service of USDA.

Foreign Market Development

The legislative foundation of the FAS foreign market development program is the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), the same law that created "Food for Peace." The impetus for P.L. 480 came from a combination of chronic surpluses of agricultural commodities in the United States and a moral commitment of the United States to assist in alleviating food shortages in poor nations.

The stated purpose of the Act, approved July 10, 1954, was: ". . . to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States, and to stimulate and facilitate the expansion of foreign trade in agricultural commodities in the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketing of such commodities may be sold through private trade channels, and foreign currencies accepted in payment thereof. It is further the policy to use foreign currencies which accrue to the United States under this act to expand international trade, to encourage economic development, to purchase strategic materials, to pay United States obligations abroad, to promote collective strength, and to foster in other ways the foreign policy of the United States."

Title VI of P.L. 690 specifies the responsibility for maintaining a worldwide agricultural attaché intelligence and reporting system, including provision of foreign agricultural representatives abroad to protect and promote U.S. agricultural interests and to acquire information on demand, competition, marketing, and distribution of U.S. agricultural products. FAS now has about 100 professional agriculturalists at 67 foreign posts, developing markets, reporting on trade and agriculture, and furthering U.S. policy objectives in food and agriculture.

In view of the important role of U.S. agricultural attachés in trade and market promotion, the Agricultural Trade Act of 1978, approved October 21, established the diplomatic title of counselor for agricultural representatives abroad and a minimum of 10 was mandated. Criteria were adopted calling for the use of this title at the major diplomatic posts and in locations where major competitor countries provide the title for their agricultural representatives. Posts selected so far for the title of counselor are London, Paris, Rome, Bonn, The Hague, Brussels (USEC), Moscow, Tokyo, and New Delhi.

Among the oldest market development efforts of FAS is the cooperator program. The 46 cooperators have more than 2.4-million producer members contributing funds to help promote agricultural exports. More than 1,500 agricultural cooperatives and 7,000 private firms are involved in this program through the cooperator organizations.

Cooperator projects are designed to acquaint potential foreign customers with U.S. agricultural products and to show them how these products might be used to their benefit, and thereby create or stimulate demand for them.

Market development work is also carried on through cooperation with State agriculture departments and their regional associations. Today, 41 States are joined in four major regional export organizations. These are:

Atlantic International Market Association (AIM)—Georgia, Maryland, North Carolina, South Carolina, and Virginia.

Eastern U.S. Agricultural and Food Export Council, Inc. (EUSAFEC)—Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Mid-America International Agri-Trade Council (MIATCO)—Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

Southern United States Trade Association (SUSTA)—Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

Food for Peace

Under the Food for Peace Program are Titles I, II, and III, each administered by the Office of the General Sales Manager. Title I, the concessional sales part of P.L. 480, provides for low-interest, long-term credit to recipients of U.S. farm commodities. Payment is made in dollars, and proceeds from sales into commercial channels are used by the recipient country for agricultural self-help measures and general economic development. Such shipments, which have declined in relation to total U.S. farm trade, continue to be important in the expansion and development of export markets for U.S. farm products and in facilitating U.S. foreign policy.

In addition, Title II of P.L. 480 provides for direct donations of U.S. farm products in cases of natural disaster or other crises and through voluntary relief agencies and the multilateral World Food Program. New provisions under Title III, added by the International Development and Food Assistance Act of 1977 approved October 1, that year, permit multiyear programming and forgiveness of dollar payments, provided the recipient country undertakes specific agricultural and economic development projects for commodities delivered under Title I agreements.

CCC Export Credit

The Commodity Credit Corporation (CCC) Export Credit Sales Program was established in 1956 by action of the CCC board under authority provided by the Commodity Credit Corporation Charter Act of 1948. CCC credit is also administered by the Office of the General Sales Manager.

The CCC Credit Program, often referred to as GSM-5, is a commercial rather than concessional program. It is designed to develop or expand markets for U.S. farm commodities and to finance additional exports. The program is particularly helpful in opening new markets, preserving or increasing the U.S. share of existing markets, preventing a decline in U.S. share or loss of a U.S. market. CCC has been a valuable tool in assisting developing countries with commercial potential in their transition from purchases under concessional and aid type programs to commercial purchases.

This program is not designed to displace cash sales. Financing is provided for 6 to 36 months, with repayment in 12 months or less preferred. Commercial rates of interest are charged and adjusted periodically to reflect the cost of borrowing to the U.S. Treasury—the current interest rate being 11.5-12.5 percent. Longer terms may be provided when such terms are necessary to meet competition, to subsitute commercial dollar sales for concessional sales, to assist in establishing a new use for a particular commodity, or in order to increase total commercial sales of U.S. commodities in a particular market.

In addition, authority for 3-10 year CCC Intermediate Credit loans was provided in the Agricultural Trade Act of 1978 for the export of breeding livestock; for reserves as part of an international commodity agreement or other stock building plans acceptable to the United States. In addition, these loans can be used to finance market facilities abroad though the proceeds from the sale of U.S. commodities in order to increase import capabilities and to respond to credit competition from other countries.

All countries are eligible for CCC credit except those prohibited under Department of Commerce regulations; Executive Order (Cuba, North Korea, Vietnam); or an amendment to the Foreign Trade Act of 1974 that prohibits financing to East European countries except those having Most-Favored-Nation status or for which a waiver has been provided. The Agricultural Trade Act of 1978, however, permits the extension of 3-year CCC credit eligibility to the People's Republic of China. Discretion will still be retained by the Executive Branch in extending such credits.

The CCC credit program is being operated at a higher level than ever before. This fiscal year, the program is at a level of $1.6 billion—about the same as last year but more than six times the $250 million used in the program as recently as 1975.

Agricultural Trade Offices

The Agricultural Trade Act of 1978 directed the establishment of agricultural trade offices in major centers of commerce throughout the world. This law requires a minimum of six and a maximum of 25 such offices to:

"... increase the effectiveness of agricultural export promotion efforts through consolidation of activities, providing service facilities for foreign buyers and U.S. trade representatives, and coordination of market development activities sponsored by the Department of Agriculture ..."

The six offices to be opened this fiscal year will be in Hamburg, Warsaw, Bahrain, Seoul, Singapore, and Miami, Florida. Earlier (May 1978), an agricultural trade office was opened in London under existing USDA authority. □

COUNTRY REPORTS

China

Imports More U.S. Cotton Despite Increased Output

China is importing more U.S. cotton this year, despite increased production. Growing domestic utilization of cotton textiles and the push for expanded exports of cotton and textile products may keep China's cotton import requirements high for the next several years, according to Alva L. Erisman, U.S. Agricultural Officer in Hong Kong.

China's cotton imports during 1978/79 could reach 2.3 million 480-lb bales (500,000 metric tons), substantially ahead of earlier estimates and well above the 1.6 million bales imported during 1977/78.

U.S. cotton sales to China as of June 17 (for shipment during 1978/79) totaled 655,000 running bales. Actual shipments, August through May, were 539,000 bales, compared with 278,000 bales during the same period in 1977/78.

Estimated production of cotton in China for both 1977/78 and 1978/79 has been increased to 9.4 million bales and 9.95 million bales, respectively. The consumption estimate for 1978/79 has been increased to 12.4 million bales, compared with estimated consumption of 12.1 million bales in 1977/78.

A possible improvement in yields could more than offset the estimated 5 percent reduction in 1979/80 planted area.

The smaller area this year is attributed to several factors, including a continuing decline in yields during recent years, relatively high production costs and low procurement prices, and the country's expanding demand for grain, particularly in major cotton production areas.

Despite the Government's goals for increasing cotton area and production, the recent liberalization of decision-making at the team (local) level has encouraged regional planners to replace cotton with crops that produce higher returns. The increased degree of local autonomy in decision-making has tended to result in smaller outturns of cotton than set in the official goals.

However, Government policies for increasing cotton production could, in the long run, have a significant impact on cotton output. Mr. Erisman reports that "when cotton growers in the major areas find it more profitable to grow cotton rather than grain, more cotton will be sown." □

Workers stacking newly harvested cotton in China.

Drying raw cotton in China's Huai River valley.

West Germany

Ups Some U.S. Farm Imports In 1979/80

Although the total value of West Germany's imports from the United States last year were up by only 2 percent to $2.14 billion, volume increased about 7 percent from the 1977 level to 8.7 million metric tons.

Significant gains in volume were in soybean meal (up 57 percent), wheat (up 31 percent), soybeans (up 8 percent), and miscellaneous feeds (up 10 percent).

The proportionately smaller increase in value compared with volume represents in part lower 1978 prices for soybeans, soybean meal, corn, and miscellaneous feed.

German imports of four U.S. farm products increased markedly in value

from 1977 to 1978: Sunflowerseed imports rose from $78 million to $142 million, almonds from $38 million to $60 million, walnuts from $14 million to $21 million, and shelled peanuts from $10 million to $18 million.

The gains in sunflowerseed and peanuts resulted primarily from larger quantities in 1978, while more than half of the increase in almonds reflected higher prices. The quantity of walnuts was about unchanged from the year-earlier level.

Germany's imports of grains from the United States in 1978 dropped to $331 million from $464 million in 1977, but higher values for imports of oilseeds and products (up $60 million), fruits and preparations (up $41 million), and tobacco (up $39 million) offset the decline in grains.

U.S. soybean and meal prices (c.i.f.) last year were down about 13 percent from the 1977 level, and the lower prices were the major reasons for the 15 percent rise in import volume. Although value slipped from $847 million to $841 million, it was still about a third above the 1976 level.

The United States is Germany's leading foreign supplier of soybeans, sunflowerseed, shelled peanuts, corn and byproducts, high-quality wheat, rice, tobacco, alfalfa meal, tallow and grease, walnuts, almonds, prunes, dried onions, and canned sweet corn.

Nevertheless, the U.S. market share of total German agricultural imports declined to 10.3 percent in 1978 from 11.4 percent during the 2 preceding years, primarily because of the strong expansion in imports of commodities for which the United States traditionally has not been a significant supplier (such as livestock, meat, and dairy products), and the lower value of U.S. shipments of corn.

German agricultural exports in 1978 were valued at DM14.744 billion, virtually the same as in 1977. Major groups were dairy products, livestock and meat, tobacco, coffee, tea, and oilseeds and products.

Germany's agricultural exports to the United States in the same period rose 56 percent to $300 million. Wine accounted for one-third, beer 10 percent, cocoa products 21 percent, and vegetable preparations 16 percent.—*Based on report from U.S. Agricultural Attaché, Bonn.* □

Israel

Israeli Citrus Exports Moving At Faster Pace This Season

Following an early blooming of citrus trees caused by the abnormally warm and dry winter, Israel's citrus season has progressed well. At the season's midpoint, citrus shipments were running ahead of schedule, with prices above last season's level and cull percentages markedly lower.

Fresh citrus and citrus products, along with fruits and vegetables, normally account for more than 60 percent of Israel's annual farm export earnings.

Israel's total citrus production for 1978/79 (November-October) is projected at 1.48 million metric tons, compared with 1.43 million in 1977/78 and 1.50 million in 1976/77.

Following temporary setbacks caused by strikes in the United Kingdom and extreme weather conditions in continental Europe (Israel's major market), export shipments of all types of citrus picked up and are moving at a faster pace than was the case last season.

Even before reaching mid-season, Israel's citrus shipments amounted to around 70 percent of the projected total for the season ending October 31. In terms of U.S. dollars, prices received were up 16-21 percent from the year-earlier levels.

Lemon shipments in 1978/79 are expected to reach 25,000 tons, slightly larger than the original forecast of 23,000 tons and up from 15,300 tons shipped last season.

Shamouti orange exports are running more or less as expected and should reach close to 440,000 tons, compared with 409,700 tons in 1977/78. Because of the crop's good quality, however, exports of the second grade "Hadar" type will be smaller than expected. They are not likely to exceed 13,000 tons—with all being sold in France.

Grapefruit exports also are not expected to deviate much from the original forecast of 280,000 tons, although a larger proportion of the crop will be marketed later than usual in the season. Israeli exports of grapefruit totaled 251,300 tons in 1977/78.

After a year's absence, Israel's Shamouti exports to North American markets are being resumed, although on a small scale. Japan is expected to buy 12,600 tons of Shamouti oranges—and minor quantities of grapefruit. Other major Shamouti markets are the United Kingdom, West Germany, Finland, Sweden, and Eastern Europe.

The loss of the Iranian market is of only marginal importance to Israel, but it has had severe consequences for Gaza citrus producers, who are looking for alternative marketing channels. The bulk of the Gaza citrus production consists of the Late Valencia variety, which should go to 160,000 tons in 1978/79.

Average f.o.b. prices received for Shamouti oranges are reported at $5.30 per box, compared with $4.36 a year earlier. Taking into account the 24-percent devaluation of the Israeli pound during the same period, returns to producers have increased about 51 percent. From January 1978 to January 1979, the country's annual inflation rate was 52 percent and the index of agricultural inputs advanced 51 percent.

For all other types of citrus, producer returns in local currency relative to those of last year improved at smaller rates. On the other hand, smaller cull percentages will improve growers' returns, and little if any change is expected in citrus production profits.

As expected, deliveries to processors were slightly behind the year-earlier pace. The country's processing total now is expected to reach 430,000 tons, compared with 452,800 tons in 1977/78.—*Based on a report from Roger F. Puterbaugh, U.S. Agricultural Attaché, Tel Aviv.* □

South Korea

Use of U.S. Wheat Boosted By Dumpling Popularity

Top: A Korean family enjoying a mandoo lunch at one of Seoul's numerous mandoo shops. Bottom: A Korean shopowner removing a tray of mandoo from a steamer, ready for serving to customers.

Promotional activities by the Seoul office of Wheat Associates USA, a USDA Cooperator, have had notable success in establishing and maintaining U.S. wheat flour as a basic ingredient in mandoo dumplings.

This is a dish that originated in China but which has become one of South Korea's favorites.

Now sold in thousands of South Korean shops—10,000 in Seoul alone—mandoo dumplings are prepared in several forms and are served steamed, fried, or in soup. The usual filler is meat, although vegetables are sometimes used. Originally served only to guests and on special occasions by noble Korean families, mandoo dumplings were not common to most other consumers because the absence of wheat production in Korea pushed the cost of foods utilizing wheat too high.

The availability of flour initially under the Food For Peace Program made it a simple matter for housewives and mandoo sellers to use the U.S. product as the dumpling's basic ingredient.

In the late 1960's, when Wheat Associates and the Korea Flour Mills Industrial Association began their large-scale, nationwide, Wheat Foods Promotion Demonstration Program, several mandoo recipes were introduced to some 2.5 million housewives over an 8-9 year period. Since that time, similar wheat promotion activities have not only taught other housewives to make mandoo dumplings, but also numerous Western-style foods.

Mandoo dumplings are now a food staple in the south, and on festive occasions, such as the Korean day of thanksgiving (Chusuk); and on the day commemorating the beginning of the lunar new year, they are a must. It is estimated that some 200,000 tons of wheat are used annually by Koreans to make mandoo dumplings.

Total U.S. wheat exports to Korea in 1977/78 amounted to 1.8 million tons. Korea was the third largest market for U.S. wheat that year.

Wheat Associates USA is the marketing arm of Western Wheat Associates, Inc., a USDA cooperator headquartered in Portland, Ore., with promotional offices in Tokyo, Seoul, Manila, Taipei, New Delhi, and Singapore. □

Egypt

Feedgrain Shortage Hinders Egypt

Protein-short Egypt is encouraging livestock and poultry production to improve the nutritional quality of human diet, but the effort is hampered by shortages of domestic feed and forage and foreign exchange to pay for larger amounts of imported feed ingredients.

Egypt's population of about 40 million, increasing at a rapid 2.5 percent annually, has an average daily per capita consumption of animal protein (meat, eggs, and milk) less than half the world average, less than three-fourths that of other Near Eastern countries, and less than one-fifth that of the United States.

Although the Government subsidizes production of prepared animal and poultry feeds, livestock during the summer and fall receive only about 40 percent of the required nutrients from the country's limited supplies of feed and forage. During the winter months, beerseem clover provides an estimated 95 percent of livestock feed requirements.

Egypt's normal crop rotations do not include any significant forage production during the summer. Also, animals are used more extensively in the summer than in the winter for plowing, water lifting, and other work, resulting in reduced milk and meat output.

Domestic raw materials for Egypt's mixed-feed industry are limited in volume and type. Cottonseed cake, wheat bran, and rice bran in 1976 (latest data available) accounted for 86 percent of

the total prepared feed supply.

Of the 525,000 tons of cottonseed cake available in 1976 for mixing with other feeds, only 56 percent was used in prepared feed. The remaining 44 percent was fed directly to animals.

Wheat bran, obtained primarily from milling imported wheat, is increasing in availability by 5-7 percent a year as the country's total wheat consumption expands. About 60 percent of the wheat bran supply was mixed with other feed ingredients in 1976.

Other important domestically produced feed ingredients include rice bran, molasses, and bone meal. Corn byproducts and barley are fed directly to livestock.

Poultry feeds depend largely on imported soybeans and corn, and the quantitites imported depend largely on the availability of foreign exchange. In recent years, the United States has been the major source of both these ingredients—largely because of concessional sales under commodity loans.

Egypt's 19 feed mills in 1978 produced 804,000 tons of mixed feed, and output for 1979 is projected at about 1.2 million tons.

Poultry feed production is about 200,000 tons per year, with a projected 140,000 tons to be added on completion of four new plants.

To expand output of mixed feeds, the Ministry of Agriculture is encouraging use of advanced technology—e.g., urea is being used for the first time. Significant changes in the industry, however, are expected to be gradual.

Prepared animal feed is distributed to livestock producers by Agricultural Development Bank (ADB) offices according to regulations issued by the Ministry of Agriculture.

Only owners of insured animals (owners of three or more animals may insure with ADB) are entitled to buy quantities specified by the Ministry.—*Based on reports from James E. Ross, U.S. Agricultural Attaché, Cairo.* □

Hungary
Shift in Dairy Plan?

Although this year's cattle import program has not been announced, it appears that Hungary will terminate large-scale purchases of Holstein cattle in the belief that the country's dairy industry can now sustain its own breed improvement program.

However, Hungary will continue to import large amounts of semen and some breeding bulls over the next few years. A renewed interest in beef cattle imports seems likely in 1979.

Only 522 head of registered Holstein heifers were imported last year—all from the United States. Today, more than half of the country's spotted-brown cows have been crossbred with Holstein bulls.

Although demand on farms for Holstein heifers is still strong, there is little likelihood that the Government will grant the necessary exchange for these imports.

Hungary's beef cattle program is turning to the Hereford breed. About 500 may be imported in 1979. □

Australia
Rains Hurt Exports Of Dried Fruits

Australian dried vine fruit production in 1978/79 is somewhat smaller than last year's because rains hit producing regions at harvesttime, and exports to most markets will be curtailed. The crop's quality also is way below normal.

Here is production of the various dried fruits in 1978/79, compared with that of 1977/78 (in parentheses) and given in thousands of metric tons: Vine—Sultanas, 50 (52.5); currants, 5.75 (6.1); and lexia raisins, 4.5 (4.3); tree—apricots, 1.2 (2.1); peaches, 80 (276); and pears, 100 (203).

The smaller sultana crop means that only about 30,000-33,000 tons will be available for export during the 1978/79 marketing year. Preliminary market allocations (given in thousands of tons) are: Canada, 10; New Zealand, 4.5; Japan, 3; United Kingdom and Continental Europe, 10.5; and various other small traditional markets, 1.5. This gives a total allocation of 29,500 tons.

An additional 20,500 tons have been allocated to the domestic market, but it is unlikely the total volume will be required, and consequently it does not include the normal reserve of some 3,000 tons.

The Australian currant crop is expected to be allocated (in tons) as follows: Domestic, 3,800; Canada, 500; New Zealand, 700; Japan, 100; sundry traditional small markets, 500; and reserve stocks, 150.

Of the lexia raisin crop, about 2,500 tons will be retained for the domestic market. Shipments to foreign markets, in tons, will be Canada, 200; New Zealand, 500; Japan, 200; and United Kingdom, 100. This will leave a reserve of about 1,000 tons. However, the reserve may actually be somewhat smaller since the size of South Australia's lexia production is still somewhat uncertain in view of the strong demand for lexia grapes by Australian wineries.

The bulk of the 1978/79 vine fruit crop consists of dark two-crown and three-crown fruit. Because of this, the Australian Dried Fruits Corporation fixed minimum export prices at the low levels of $A1,350 per metric ton (c.i.f.) for three-crown fruits sold in all markets and $A1,340 for two-crown fruit.

Faced with the prospect of having to supply the United Kingdom with mostly two-crown fruit (of a 4,500 ton preliminary allocation, only 300 tons will be three-crown), Australia set its price below Turkish and Greek prices.

Although the higher Turkish and Greek prices held firm, Australia sold all of its export allocations to the U.K. and Continental markets. This not only removed the Australian product from the market before the Northern Hemisphere crop began to arrive, it also removed the incentive for Northern Hemisphere suppliers to reduce prices later in the year.—*Brice K. Meeker, U.S. Agricultural Attaché; Canberra.* □

TRADE BRIEFS

U.S. Moving Up In West German Cotton Market

West Germany's cotton industry staged a slight recovery during the just-ended 1978/79 marketing season (August 1-July 31), according to West German cotton officials . . . driving force behind the recovery was an increase in yarn orders for both domestic and export markets . . . imports of raw cotton from the United States increased to the point that the United States may have captured second place in the German cotton market with a share of at least 10 percent, which would amount to around 18,500 tons . . . chances for further increases in the U.S. market share are excellent, according to German trade sources, especially since high-grade U.S. varieties, such as California cottons, are popular and sell well in Germany because of their quality, ready availability, and competitive price.

Brazilian Broiler Exports Make Rapid Strides

Case of rising export numbers in Brazil . . . with the support of export subsidies, Brazilian broiler exports have skyrocketed almost seventeenfold over the last 4 years, from 3,469 tons in 1975 to 50,920 tons worth US$49 million last year . . . they should hit around 70,000 tons in 1979 . . . major markets are in the Middle East and the biggest customer currently is Iraq . . . Brazil's rising domestic production has led to larger exports and higher domestic consumption.

Italian Feed Sector: Up & Up

Italy's compound-feed industry continues to add more "muscle" as production capacity rose 7 percent during 1978 to 9.7 million tons per year . . . a January 1 survey by the Italian Feed Manufacturers' Association revealed that there are now 1,492 compound-feed plants in Italy, up 2 percent from January 1, 1978 . . . the majority—66 percent—are located in northern Italy . . . the country's mixed-feed production totaled 8.2 million tons in 1978 and is expected to rise about 5 percent this year.

Argentine Citrus Exports Continue Upward Path

Sparked by rising export demand for lemons, Argentina's shipments of fresh citrus rose about 4 percent in 1978 to 71,156 tons and a further increase of about 2 percent is expected this year . . . lemon exports should rise again this year because of apparent tight world supplies . . . the Netherlands was the top citrus market, taking more than one-third of all exports on a carton basis . . . other leading markets were Czechoslovakia, France, Hungary, and Poland, with the purchases of latter two consisting completely of lemons . . . about 20 percent of Argentina's fresh citrus production—estimated at 1.35 million tons last year, off 9 percent from 1977's level—is processed into concentrates . . . about half of the citrus juice output is exported with nearly 55 percent of this going out as frozen concentrates . . . average export price for concentrated orange juice last year is estimated at $1,000-$1,100/metric ton, f.o.b. Buenos Aires, compared with an estimated $700 per ton in 1977.

Japan Doubling Duty-Free Quota For Feeder Cattle

Japan, in late March, announced a hike in the duty-free import quota of feeder cattle to 11,000 head for JFY '79 (April 1, 1979-March 31, 1980)—almost double the year-earlier level of 6,000 head . . . under this quota, duty of 45,000 yen per head (about $210) is waived for feeders weighing 350 kilograms or less, liveweight . . . allocated only to farm cooperative members, the quota was almost fully utilized in JFY '78 for the first time in recent years . . . and with domestic feeder-cattle prices on the rise—around 200,000 yen (about $295) for a Holstein feeder steer—the quota is expected to be used fully this year.

Florida Orange Juice Gets Top Billing In Sweden

To the accompaniment of a heavy advertising campaign, the Swedish Dairies' Association—Arla—is about to introduce Florida chilled, concentrated orange juice in a 2-deciliter pack . . . because it is not frozen, the new product can be kept in the dairy sections of retail stores for up to 3 months . . . the small package will make 1 liter of single-strength juice and will retail at 90 U.S. cents, compared with US$1.13 for a liter of Florida reconstituted juice . . . however, this still will be considerably above the price of similar concentrates based on Brazilian juice, which now commands over half of the Swedish orange juice market.

Large Live Sheep Connection Between Chile and Libya

Described as the largest export operation of live sheep from South America, a shipment of 35,000 head of sheep from the Magallanes area in southern Chile was sent recently to Libya . . . that shipment, valued at around $1 million, follows the wake of the export of 13,500 head of sheep earlier this year—also to Libya.

Brazil's Lint Cotton Exports Decline Again

Brazil's lint cotton exports, estimated on a U.S. marketing year basis (August-July), declined to approximately 142,000 bales (480 lb net) during 1978/79, compared with 192,000 bales exported a year earlier . . . exports during 1979/80 are likely to be even less because of the country's low level of cotton stocks . . . however, trade sources believe that in the near future—perhaps starting in 1980/81—Brazilian exports will begin to rise as a result of expected increases in production

Japan Promoting Harumi Quota Beef

The 20 tons of U.S. beef that was imported under special quota for the Harumi International Hotel and Restaurant Show is being highlighted at American beef promotions in 154 Japanese restaurants . . . success is such that the two participating restaurant associations plan to press the Ministry of Agriculture, Forestry, and Fisheries (MAFF) for a restaurant quota so they can gain regular access to portion control and other cuts not imported by the Livestock Industry Promotion Corporation (LIPC).

U.S. Wheat to Chile: A Fall-off Following Record Shipments

After reaching record levels last year, U.S. wheat export to Chile are expected to dip somewhat in 1979 because of increased competition from Argentina—and possibly from Australia . . . Chile's 1978 wheat imports are estimated at 950,000 tons (up from 612,000 tons in 1977) and all but about 24,000 tons was of U.S. origin . . . for 1979, Chile's wheat imports are forecast at 900,000 tons, with U.S. wheat sales to that market not expected to exceed 700,000 tons.

UNCTAD FOCUSED ON INTERNATIONAL TRADE

The United Nations Conference on Trade and Development (UNCTAD) at its fifth session in Manila, May 7-June 3, adopted several resolutions that affect agricultural interests, including UNCTAD's Integrated Program for Commodities, grains negotiations, international food trade, protectionist trade policies, trading preferences among developing countries, and shipping of bulk cargoes.

The international trading system was a key theme of the conference. The developing countries, represented mainly by their ministers of trade, view existing international economic problems as structural rather than cyclical in origin. They charge the developed world with excessive use of protectionist policies, shutting out many products that developing countries produce at comparative advantage. They also complain that the Tokyo Round of Multilateral Trade Negotiations essentially excluded them because of the principal-supplier requirement. They prefer to pursue trade goals within the UNCTAD setting, especially within the Integrated Program for Commodities, rather than in the General Agreement on Tariffs and Trade.

The main resolution on commodities expands on the Integrated Program for Commodities adopted in 1976 at Nairobi. Processed and semiprocessed products of those commodities in the Integrated Program may be included in UNCTAD's consultations.

The Common Fund was not an issue, since agreement on the general principles of its establishment was reached in March. The objective of developing countries to expand their market shares of processed products is reinforced by the eligibility of processed products for financing under the Common Fund's second window.

The most controversial issue revolved around the efforts of the developing countries to set up a new framework for international cooperation in processed products. The final compromise permits UNCTAD to make numerous studies.

The general thrust of the developing countries' demands goes in the direction of increased governmental intervention. The United States and several other countries made statements in support of the idea that market forces should be the determining factor in market prices.

In a separate action the developing countries voted to have the UNCTAD Secretariat study a complementary facility to compensate shortfalls in export earnings on a commodity-by-commodity basis.

The Conference also adopted resolutions that call for:

- A resumption of the negotiations to replace the International Wheat Agreement.
- The UNCTAD Secretariat to study trends in international food trade.
- A larger participation by developing countries in the world's shipping of bulk commodities. (The United States and other developed countries voted against this resolution.)

Trading preference among developing countries, while not formally debated at Manila, is a priority program of the UNCTAD Secretariat. A major conference on preferences is scheduled to be held in 1980.—*JoAnn Hallquist, Developing Countries Division, International Trade Policy, FAS.*

WORLD AGRICULTURAL DAYBOOK

August

General

Date	*Event*
6-20	Romanian Agriculture Minister Miculescu visits Washington, D.C., and selected U.S. farms and agribusinesses.
8	Public briefing on USSR spring wheat situation by returning U.S. team, Washington, D.C.

Meetings

Date	*Organization and location*
20-31	UN Conference on Science and Technology for Development, Vienna.
20-31	Committee on Agricultural Development, Economic and Social Commission for Asia and the Pacific, Bangkok.
In Aug. or Sept.	U.S.-Mexican discussions on arid lands and new crops, Saltillo, Mexico.

Trade/Technical Team Trips

Foreign Teams in the U.S.

Date	*Team*	*To*
5-10	USSR soil study	California, New Mexico, Texas, Arizona, plus U.S. Bureau of Reclamation experimental sites
5-16	Japanese potato-onion	Western production and distribution centers.
10-Dec. 23	Philippine and Thai bakers	American Institute of Baking school, Manhattan, Kansas.
16-Sept. 1	Japanese buying mission	New York, Georgia, Illinois, Oregon, California.
27-Sept. 3	Malaysian veterinary service	Texas, Florida, Washington, D.C.
2-8	Czech seed	Iowa, Minnesota, California, Idaho, Washington, D.C.
2-8	Yugoslav seed	California, Oregon, Idaho, Washington, D.C.

Trade Fairs and Exhibits

Date	*Event and location*
July 30-Aug. 10	International Livestock Show, Palermo, Argentina.

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U.S. Mink Exports Rise

many, 23 percent for France, 21 percent for Italy, 16 percent for Japan, and 14 percent for Switzerland.

Since 1976, these countries have received the bulk of the EMBA/FAS promotion budgets, although the country-to-country emphasis has shifted with changes in market opportunities. Japan, for example, in 1976 received less than 4 percent of the total promotion budget.

Further reallocations of funds can be expected as a result of changes in market conditions and export opportunities. □

Table 1—U.S. Mink Exports (Pelts and Garments): 10 Top Markets and Total, Calendar 1978

Country	Value	Market share
	Dollars	*Percent*
Switzerland	15,158,998	16.4
West Germany	13,857,583	14.7
United Kingdom	11,905,282	12.6
Hong Kong	11,219,876	11.9
Canada	11,128,776	11.8
Japan	8,366,695	8.9
Greece	7,424,277	7.9
Italy	6,084,275	6.4
France	4,742,134	5.0
Australia	924,829	1.0
Subtotal	90,812,275	96.1
Other	3,708,462	3.9
Grand total	94,521,187	100.0

Table 2—U.S. Mink Exports: Value, Quantity, and Type; 10 Top Markets and Total, Calendar 1978

Country	Value	Market share	Quantity				
			Raw pelts	*Percent share*	*Dressed pelts*	*Percent share*	*Total pelts*
	Dollars	*Percent*					
United Kingdom	11,131,606	14.8	562,438	94.6	32,156	5.4	594,594
Hong Kong	10,894,489	14.5	20,705	6.1	318,580	93.9	339,285
Switzerland	10,850,691	14.4	220,487	64.3	122,450	35.7	342,937
Canada	10,693,545	14.2	246,031	67.9	116,325	32.1	362,356
Greece	7,422,777	9.9	4,594	2.1	209,657	97.9	214,251
West Germany	7,062,756	9.4	169,611	68.5	77,847	31.5	247,458
Italy	5,851,355	7.8	121,615	69.7	52,907	30.3	174,522
Japan	4,186,653	5.6	19,350	17.8	89,098	82.2	108,448
France	3,621,124	4.8	98,024	89.5	11,530	10.5	109,554
Australia	923,079	1.2	49,458	63.8	28,085	36.2	77,543
Subtotal	72,638,075	96.5	1,512,313	58.8	1,058,635	41.2	2,570,948
Other	2,635,926	3.5	53,215	55.0	43,500	45.0	96,715
Grand total	75,274,001	100.0	1,565,528	58.7	1,102,135	41.3	2,667,663

Table 3—U.S. Mink Pelt Exports by Type, Quantity, and Value; Dressed Pelts as Share of Total, Calendar Years 1972-78

Year	Type of pelts						
	Raw			Dressed			
	Quantity	Value	Unit price	Quantity	Value	Unit price	Premium
	1,000 pelts	*1,000 dol.*	*Dollars*	*1,000 pelts*	*1,000 dol.*	*Dollars*	*Percent*
1972	1,580	22,610	14.31	322	6,635	20.60	44.0
1973	1,136	21,860	19.24	411	10,780	26.23	36.3
1974	1,428	25,521	17.62	630	18,565	29.47	67.3
1975	1,424	21,806	15.31	534	13,772	25.79	68.5
1976	1,591	31,329	19.19	744	23,080	31.02	57.5
1977	1,672	37,342	22.33	855	30,087	35.19	57.6
1978	1,566	35,442	22.63	1,102	39,832	36.15	59.7
Total	10,417	195,910	(1)	4,598	142,751	(1)	(1)
Average	1,488	27,987	18.81	657	20,393	31.05	65.1

[1] Not applicable.